

JPRS-LAM-88-030  
19 AUGUST 1988



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# ***JPRS Report***

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# **Latin America**

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# Latin America

JPRS-LAM-88-030

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19 AUGUST 1988

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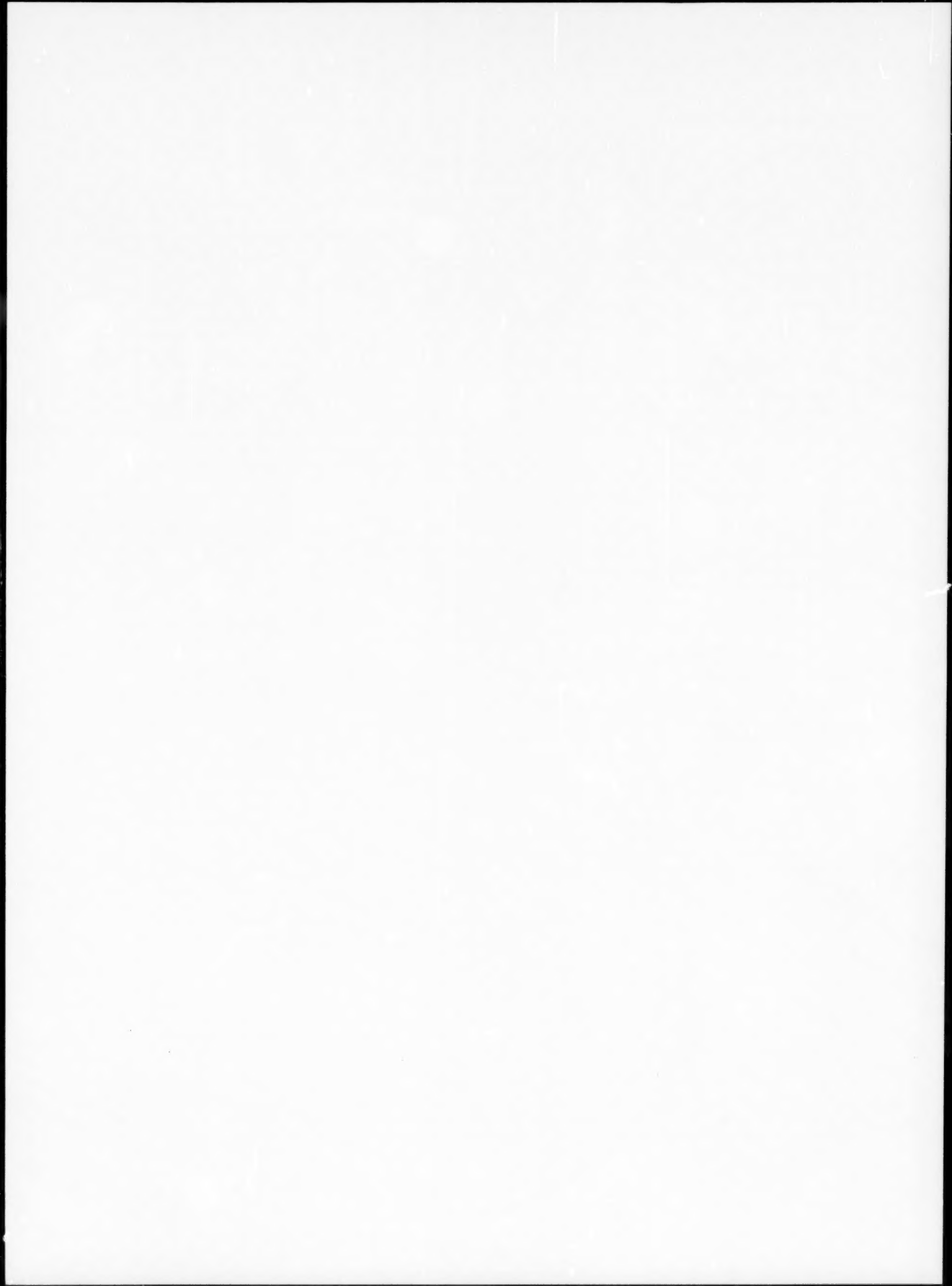
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### Communist Leadership Reacts to New Current Within Party

33480183a Buenos Aires QUE PASA in Spanish  
7 Jul 88 p 11

[Article: "Trend Against the 16th Congress"]

[Text] A group of PC [Communist Party] members and ex-members, calling themselves "Trend in Defense of the 16th Congress," has appeared before the electoral court for the purpose of being recognized as an internal trend of the party. In doing so, they are not only disregarding the organic charter summarizing the Leninist principles of organization that was approved at the congress which they claim to support, but also, and in particular, they want the bourgeois justice system to grant them what the members have freely denied them. The very "horizontal democracy" that they are demanding (because it is allegedly nonexistent) is what PC militants have exercised and been striving to exercise every day; and, on one occasion, it was this militant leadership which ousted many of them from the leading positions that they held because they were obstinate defenders of the opportunistic policy of the right and the Stalinist, bureaucratic leadership methods condemned by the 16th Congress.

Spuriously hiding behind the 16th Congress, they accuse the party leadership resulting from the members' sovereign decision of burying it under "an avalanche of ultrarevolutionary phraseology," and go on to blame it for a "deepseated ideological, political, and organizational deterioration of PC," and for an alleged loss of political space, trade union influence, summoning power, and intellectual prestige; concluding with the claim that this leadership has put PC behind other political groups. The evidence of their duplicity lies, simultaneously, in these accusations. As they did during the entire process preceding the congress (many were opposed to its being held at all), they refuse to admit the disaster caused by reformism in the party's ranks. Used to deceiving the militants with impunity, they talk of a presumed "prestige" and "political space," of the kind that we boasted of in our sovereignty and sectarianism, and that we were only credited with in a benevolent manner by the bourgeoisie, and not the masses; as we sadly realized after the 1983 elections, when the number of votes did not even reach the total members claimed for the party, represented only on paper.

In the trade union area, the "influence and positions" claimed were often the result of unprincipled agreements with the worst of the trade union bureaucracy, having no connection with the selfless struggle waged by the militants. They justify that practice, now repudiated by all the members, in the past; but what is more serious is that it is still a line of action taken today, as proved by the case of "spokesman" Sergio Peralta, allied with the 62 Organizations in the journalists' union.

As for the government's antinational, antipopular direction, they attribute it exclusively to "pressures from reactionaries," ignoring what the government officials themselves admit: the existence of a plan in the service of privilege. They say the same about the Peronist top-level leadership. Completely lacking in a classist analysis of the state and government, they (who consider themselves defenders of the interests of the working classes, allegedly abandoned by the PC leadership) revert to the old formula depicting these governments of the bourgeoisie (the grande bourgeoisie, in this instance) as mere weathervanes that would turn in one direction or another, depending on the force of reactionary or popular winds. In this way, they forget Lenin, who always observed in the masses' action a powerful means for making conquests and accumulating forces to change the class nature of the state through a revolution; a word that these people eliminate, or simply distort in their documents. This is no coincidence; because they claim that this is the time for an ebb, and hence it is not fitting to propose the revolution. They claim this on a continent that is beginning to recover from the defeat that has caused the Reagan administration's war-mongering strategy to fail; on which, just this month, the 9th anniversary of the victorious Sandinist revolution and the 35th anniversary of the storming of Moncada are being celebrated; where, within a few months, the 30th anniversary of the glorious, unconquerable Cuban revolution will be marked; and where the Salvadoran patriots, led by the FMLN [Farabundo Marti National Liberation Front], are giving constant evidence of heroism, dealing severe blows to the imperialists' counter-insurgent policy.

To justify their positions, they distort the PC line on issues as all-important as world peace, and its connection with the revolution. Anyone who has followed communist positions would have noted not only the systematic attention paid to the issue of peace, but also the solid support for the energetic policy developed by the USSR and, what is even more important, the effort to make the peace issue a matter of popular concern, not merely that of select, boring gatherings dissociated from the national reality. Achieving this is not a matter of mechanically imitating the types of struggle germane to Europe. This general, compulsory task must be undertaken depending on the national and regional realities, if there is really a desire to create assets for the society, not merely assuming a declarative position. In Latin America and Argentina, the battle for peace is inextricably merged with anti-imperialist struggle and solidarity, against the aggressive, interventionist Yankee policy that is reflected from Central America to the Malvinas [Falkland Islands].

With regard to democracy, they attribute to the PC leadership an underestimation that is not in keeping with daily events. Neither during Holy Week nor during the January crisis did we remain viewing events from afar; and not without difficulty, of course, we set out with determination to confront the hypocrites. But, with the



very same force, we rejected the restrictions on democracy, the passage of the Final Stop and Due Obedience Laws, the easy trigger policy, the continuation of political prisoners, and many other forms of repression. One thing is certain: we have defended democracy in a manner completely different from that to which these individuals are accustomed. We have not deified it, nor harbored the illusion that bourgeois democracy can solve the problem of social justice; and we have seriously concerned ourselves with developing forms of popular democracy, of people's power, whereby those below truly make decisions and do not have to be content with the "ballot-box democracy" in which the system wants to imprison us forever. Of course, there are two totally opposite approaches: theirs is the one of "striving by way of progressive democratic development under capitalist conditions"; in other words, looking at what is possible, modernizing and touching up the system somewhat, to make it more efficient: ultimately the "no can do" method. From this one infers that their concept of a national, social liberation front, beyond the rhetoric, is one of backing a policy of thinly veneering the system, and not transforming it. In this connection, we cannot be surprised that they are taking steps to jump on the bandwagon of the Renewers, and seeking to legitimize themselves politically when PJ [Justicialist Party] appears as winner in the 1989 elections. And they are not exactly doing so with the intention of coming closer in daily struggle to the most combative, revolutionary sector of Peronism, the sector with which we must intensify bonds, to take the path of a real revolutionary prospect for the country. Nor is it noteworthy that, after underhandedly striving to make the leadership and line approved at the 16th Congress fail, they should show up at a time when we are making progress towards putting it into practice; when the left is facing the challenge of advancing in its unity and offering an electoral alternative of the anti-imperialists and those struggling in 1989, a few days before FRAL [Broad Liberation Front] submits that proposal to the society at a mass ceremony.

These alleged defenders of Marxism-Leninism and its purity are in fact leaders of a rigid, dogmatic Marxism which refuses to die, precisely when the wholesome will to recover the creative nature of Marxism is overtaking the world communist and revolutionary movement. They are militants of the old order. They do not accept the fact that, with the congress, an irreversible shift began, whereby we no longer consider ourselves infallible, we do not wait 40 years to make self-criticism, but want to incorporate it as daily method, to improve ourselves collectively, to make ourselves mature in an atmosphere of debate that will help us to overcome vestiges of dogmatism and pride, and will make us more fit to contribute to the unity of revolutionaries and to the formation of the vanguard. They want to return to the past but, unfortunately for them, and happily for the Argentine left, there is no turning back from the 16th Congress. This has been proved by our militants in their self-sacrificing daily effort to connect our people's struggle with a revolutionary plan to attain power.

### **Rear Adm Osses on Needs, Capabilities of Naval Fleet**

33480183b Buenos Aires LA PRENSA in Spanish  
27 Jun 88 p 4

[Interview with Ocean Fleet commander, Rear Adm Emilio Jose Osses; at Puerto Belgrano, June 1988]

[Text] A few days before the arrival of the Argentine Ocean Fleet in the port of Buenos Aires, where it will participate in the main celebrations planned for 9 July, and will open the gangplanks of its ships for free public access during the week of their stay, docked at the local naval station, LA PRENSA was invited to visit the Puerto Belgrano naval base in the vicinity of Bahia Blanca, the site reserved for the use of the fleet's vessels.

The occasion that enabled us to witness the preparations for the military ships to set sail was convenient for an interview with the commander of the Ocean Fleet, Rear Adm Emilio Jose Osses, who consented to our request, making himself available for a lengthy dialogue in which the naval chief alerted "the public to the need for the country to wake up to the problems which it might confront due to its proximity to the sea, where the nation must have a strong presence so that, when such problems crop up, it may have solutions and an ability to cope with them."

Osses stressed "the problems of having a maritime presence, because in the future Argentina might find itself embroiled in conflicts involving interests of other nations battling for the sea, its domination, and its wealth, also extending to the Antarctic areas," which may be disputed in the near future as well.

The naval chief emphasized that the country must be willing to develop the capacity to determine "the problems that the sea could present, if they are not observed with a view toward the future," considering the concrete things "that the sea could offer us if we pay heed to its future, and what the sea could take away from us if we fail to do so."

In other parts of the interview, Rear Admiral Osses denied that there had been any incidents with the British over the "exclusion zone" around the Malvinas [Falkland Islands] following the war; and, on the other hand, admitted that there had been sightings and approaches in the surveillance and control of both countries' ships, although without any incidents. Hence, he considered it quite unlikely that a future crisis would result from this situation, though he did not rule it out as a possibility.

He cited as a negative effect of the Malvinas war the fact that the issue has been covered up, showing only one side of the coin, namely, the politicization, instead of making the pertinent distinctions.

He also gave the Navy's personnel requirements precedence over its material requirements, underscoring the capabilities of the fleet's units under his command, on par with the most modern, and also, as a result of this latter feature, the stringent logistical requirements that must be met to maintain their efficiency in keeping with their total potential.

#### The Interview

The questions asked and the pertinent responses from Rear Admiral Osses are those reproduced below:

[Question] What situation prompted the British "exclusion zone" around the Malvinas applied to the Ocean Fleet?

[Answer] The exclusion zone is a real de facto situation that is in effect and that must be considered on the basis of a national policy that would avoid any type of conflict in that zone.

Within these parameters, and insofar as it is incumbent on me, namely, involving the fleet's activity in an area near what the British Government calls the "exclusion zone," contact is avoided, as is the occurrence of any incident caused by the Argentine forces. Therefore, no problem has arisen thus far, and it is all confined to the national resentment over having to accept such things.

[Question] Since the Malvinas, have there been any incidents with the British at sea?

[Answer] There have been no incidents; there have been approaches by units, but nothing more than that.

I would like to give a reminder that there are many troubled areas in the world; the navies in various parts of the world, because they are a country's vanguard in certain areas, have arrived at a kind of coexistence in certain "hot" spots on the globe. Units of two opposing sides, with great potential for finding themselves involved in hostile incidents, avoid it, owing largely to this particular detail in the current laws of the sea and international policies. These units observe and watch one another, but without going so far as to cause an escalation in the crisis.

This might resemble the situation in the South Atlantic where we, who are not used to this type of situation, have adapted ourselves to those guidelines, and have attempted to avoid an escalation. We could say the same, apparently, about the British side; we could cite a mutual respect between vessels of both countries that prevents critical situations from occurring.

[Question] Is the likelihood of a crisis in the South Atlantic slight, moderate, or strong at present?

[Answer] It is unlikely, very unlikely, that an escalation would occur...but it cannot be precluded in a situation capable of producing conflicts, owing to the proximity in which units flying different flags could find themselves at sea. In any event, my ships have clearcut instructions on how to proceed, depending on the circumstances.

#### Summary and Aftermath of the Malvinas War

[Question] How would you summarize the significance of the Malvinas war?

[Answer] I don't consider it a matter for the Armed Forces, but rather a national issue, wherein moves are made based on the policies adopted by the various governments who are going to follow, to keep the same goal: returning to the Malvinas. I myself would like to return tomorrow, but at present the country is carrying out a policy devised by its government to attain that goal, and we are moving. I only hope that we will be successful.

[Question] What is your opinion of the internal aftermath left by the Malvinas?

[Answer] The most controversial and, to me, the most unpleasant aspect of the Malvinas affair is having covered up this issue, showing just one side of the coin, namely, the politicization. I would have preferred to make an important distinction between the military action and the need or lack of need for intervention, and the action that was taken.

The only thing which was achieved by combining political and military considerations was to cause all of those who did not dispute orders concerning the feasibility of recovering the Malvinas, but who, rather, obeyed orders, not to be given credit for defending the attainment of the goal of recovering the islands, as a result of that murky atmosphere which existed and has existed throughout recent years. I believe that the negative aspect of the consequences from the Malvinas is related to this.

#### Sighted Submarine

[Question] What is your opinion of the submarine sighted by a merchant ship a few days ago in the Argentine Sea?

[Answer] I wouldn't call it a submarine. I would, rather, call it a naval device or vessel, which they might have observed from another ship. And why don't I call it a submarine, as categorically as that? Because in order to be able to say that a submarine was sighted, not only must one have seen it for certain, but also the one observing must have had the professional capacity to claim that it was a submarine.

In fact, what happened a few days ago, and came out in the newspapers, would have no connection with a vessel of this kind; because the subsequent search that was made to ascertain the visual contact made by a merchant unit detected nothing.

[Question] Would the fleet intercept an unidentified submarine if it were discovered in Argentine jurisdictional waters?

[Answer] The fleet would intercept it.

[Question] Is it presumed that there is foreign submarine activity in our waters?

[Answer] We do not have the capacity to be able to affirm or deny anything regarding that subject.

#### **Ocean Fleet**

[Question] Are personnel or ocean-going units lacking in the Navy?

[Answer] Argentine citizens should be fully aware that they have an extremely modern fleet, which I would call one of the latest generation, with a capacity to act on a highly professional level. That is what they have. In terms of numbers, it is less than what the Navy has had in its history; but it has the capacity to engage in modern combat on a high level.

Currently affecting this group of very modern units, a result of the ship construction plan dating back to 1975, are negative factors preventing those modern units from operating at 100 percent of their potential.

[Question] What are those negative factors?

[Answer] The conditioning factors are essentially two: one is human, and the other material.

To staff a modern unit requires years of experience and a high level of technology. There are no longer any men performing their service at a low technical level. For this reason, the Navy is now taking many years to train them and make them experts.

While external factors, such as the salaries of these men which, according to what they have been taught, should enable them to make a living from their profession, do not prevent them from having to resort to other sources in order to be able to support their families, this does have a decisive effect on their professional training.

[Question] What percentage of the career and enlisted personnel in the fleet have discredited it due to these conditions?

[Answer] I could respond to you by saying that approximately 50 percent of my petty officer personnel resort to other jobs outside the institution.

[Question] Don't those outside of the naval branch realize that this situation exists?

[Answer] I think they realize it, but I must admit that we find ourselves in a difficult national economic situation. Therefore, this has to be accepted, but it is important that the negative effect that it is having on our efficiency be known, a situation where those men who have been taught to devote 24 hours a day to their work, have to resort to other sources in order to support their families.

[Question] What receptiveness has the fleet met with in response to its requests for human or material resources from those who could provide them?

[Answer] Because of the country's economic situation, any programming that is done must be based on accepting the reality and avoiding any illusions. This has enabled the Navy to make a series of administrative and logistical reforms making it possible for the largest portion of the budget to be allocated for the operational side, as a result of which the fleet has attained an acceptable level of training.

[Question] Then, greater improvements are beyond the Navy's capacity?

[Answer] I cannot and should not claim that we in the Navy have no means for improving this situation, because I think that it is in crisis periods that institutions and individuals strengthen their capacity to find solutions. As for trying to improve the situation of the men in the institution, that is being done; but with regard to the procurement of replacement parts for the modern units whose equipment requires great logistical backup to maintain them on the proper level, such logistical backup means money, and the portions of the budget for them are too large.

#### **Priority for the Men**

[Question] What is the priority, in fact: to improve the material side or that of human resources?

[Answer] There is no doubt that the absolute priority is personnel. For the institution, for the Ocean Fleet in particular, the men come first, because if a situation should arise wherein the units had absolutely no share of the budget, they would be preserved by the human resources to prevent their deterioration.

Men leave and, I repeat, training a sailor now takes many years. Hence, greater priority must be given to the men than to the material things; but both problems must be dealt with.

[Question] Is there currently dissatisfaction among the fleet's officers?



[Answer] The men in the fleet are real professionals, and therefore the hundreds of problems existing now affect them; but we can claim with gratification that our personnel are surmounting everything negative.

### **Tactical Simulator**

Before our interview with the Argentine Ocean Fleet commander, we had an opportunity to learn the status of a project greatly encouraged by the Navy, consisting of the development of a tactical simulator capable of training military seamen without any need for manning ships, by performing exercises on computers which simulate the conditions confronting the men at sea.

This project, created and developed in the institution itself, will allow it to be made available to members of the Argentine Navy, and its cost has been estimated as not exceeding 15 percent of what any similar system would require if purchased abroad, where it is used by various countries in training their sailors.

This development also makes it possible for the technological progress made by the Navy to be applied to requirements of the region's civilian population, which receives advice, equipment on loan, and other benefits; therefore, the use of many features of the project is ambivalent.

The project is in an advanced phase of development, and it is expected to enhance the professionalism of the men in the institution on a large scale, without any need to resort to the spending required by a long period of sailing for the same purpose.

### **The Visit to Buenos Aires**

As we noted at the beginning of this article, the Ocean Fleet will visit this city to participate in the 9 July celebrations.

Ten ships, the ARA [Navy of the Argentine Republic] destroyers "Hercules," "Trinidad," "La Argentina," "Sarandi," and "Almirante Brown," the corvettes "Drummond" and "Rosales," and the landing vessel "San Antonio," will allow the public free access next week (from 6 to 12 July), and visits by educational institutions are expected on those days, when the students will have a guided tour of the various ships docked in the metropolitan port's northern inner harbor.

Demonstrations are planned by the Marine group that will arrive aboard the ARA "San Antonio," and the main ceremony will be held on 9 July, presided over by the Navy chief of staff, Adm Ramon Arosa.

### **Impact of Possible Reform of Military Service Highlighted**

33480183c Buenos Aires LA PRENSA in Spanish  
29 Jun 88 p 9

[Article by Sergio Crivelli: "Military Service Reform"]

[Text] The current compulsory military service system will be reformed during the next few months if a proposal made in the government party deputies' bloc by Radical Party member Ricardo Felgueras proves successful, which, among other changes, suggests its reduction to a period of 4-6 months.

At noon yesterday, the legislator met with Defense Minister Horacio Jaunarena who, as he explained, was not opposed to the proposal that had been a target of criticism from military spokesman. After the discussion with the minister, the opportunity was afforded for members of the executive and legislative branches to work together on the drafting of a new regulation on compulsory military service that would receive the support of UCR's [Radical Civic Union] representatives in Congress, and would replace No 2,294, subjected to questioning, especially since the Malvinas [Falkland Islands] defeat.

### **Principal Points of Reform**

What are the main points in the reform that evoked criticism among Army commanders because of the presumed multiplication of spending on training? The proposal devised by Felgueras, which was analyzed by the board of directors of the government party bloc in the Lower Chamber (it does not yet have congressional status) proposed a reduction of service to 4 or 6 months; a period that would be spent totally on military instruction for the recruits. It also calls for the category of conscientious objectors, that is, of those who, for "religious or philosophical" reasons, are opposed to serving the country with arms.

In this instance, the service period would be doubled, and must be spent in the area of civil defense, training its members to act in emergencies such as those caused by floods, fires, or other accidents or disasters.

The law that would replace the one on compulsory military service in effect will also be called the "Law on National Defense Service," or another name will be sought to avoid military connotations.

### **'The Impact of the Military'**

In this connection, stress should be placed on the background material used by the drafters of the government party group's proposal. It includes a file bearing the letterhead of the Defense Ministry, listing the "objectives aimed at reducing the impact of the military on the population."

For this purpose, it is proposed to "minimize the military area" through:

"The creation of other services (civil, or social and educational, making use of nearly all classes);

"Replacement of the name 'military service' with another that would cover the rest of the services ('national defense service,' for example);

"Reduction in the duration of the draft service, but simultaneously with mobilization of the reserves for training based on periods;

"Reduction in the contingent per induction, by having more than one induction;

"Conversion of military service into a voluntary one as part of a compulsory defense service in any of its three forms, calling for compulsory military service only if the anticipated forces are not available. Within 2 or 3 years, it might be possible for all military service to be voluntary.

"Drastic elimination of soldiers from any nonoperational assignment, from service tasks, and from all locations frequented by the public (Ministry of Defense, EMGE [Army General Staff]);

"Elimination of the dress uniform, which, in addition to reducing expenses, would help soldiers not to be observed on the streets;

"Making the system flexible, by offering citizens benefits for joining;

"Avoiding the secrecy surrounding the topic of military service, gradually offering the population a clear-cut image of the system, which will eliminate the current distortions and fantasies contrived by citizens regarding draft service. If this subjectivism (due to the poor predisposition of the populace toward the military) is successfully eliminated, the new structure can be viewed objectively and criticized in the same manner.

"Publicity and advertising of the new system, so as to make the population a participant and to recruit members."

### Triple Work

As may be observed, the objectives considered in devising the military service law show troublesome features for the military sector (removing soldiers from service tasks, eliminating the dress uniform), which will not be accepted without controversy.

Simultaneously, the induction of draftees in three annual groups will triple the work of the officers and petty officers responsible for instruction, which seems to be one of the main aspects in the misgivings disclosed by military sources.

As for the necessary outlays for putting the reform into effect, legislative sources estimated that they would not increase the expenses of the Armed Forces because the number of inductees would be the same as planned, the only difference being that the men would enter the service by stages.

Apart from the specific questions regarding the duration and nature of the military instruction that will be arising during the weeks to come, the general guidelines considered by the government party group in drafting the military service reform, under the subtitle "General Considerations," in the report carrying the Defense Ministry letterhead and attributed to the Army General Staff, are significant.

The first point in these considerations claims: "The conflict in the South Atlantic underscored not the ineffectiveness of compulsory military service but rather the lack of training of the citizens inducted into that system. Among other things, there was also evidence of the slight capacity for joint planning and action on the part of the Armed Forces permanent officers, considering that they are professionals and joined the military institution voluntarily.

"The fact that there are armed forces in the world with great operational capacity, and others with less, is due essentially to the level of training of the members comprising them. However, the system per se is not being challenged (as has been done with the draft); rather, there should be an evaluation of the level of operational capacity that this system is to attain.

### Hypothetical Conflict

The second point stressed that, "To devise a new military service law, the structures in effect in other countries should be borne in mind, particularly those of the bordering nations. A fundamental difference in this regard could put us in a state of inferior condition, compared with them."

And, in this instance, it calls attention to the hypotheses that were assessed. The document goes on to say: "The most important ones to be considered would be those countries with which there is a greater likelihood of coming into conflict. In our case, it is in our interest to observe the structures in effect in Brazil and Chile.

"Brazil has set up its recruitment system placing special stress on the process of selecting citizens, making use of its great national human potential (130 million). The citizens with the best mental, physical, and military qualifications are the ones called.

"Chile, although in an inferior condition compared with its own human resources, supports a system based on compulsory military service for a period of 1 year, supplemented by periods of reserve mobilization to maintain the capacity and to update the organizational military."

On the third point ("Hypothetical Conflict: Great Britain-Brazil"), the document claims: "The opposing interests of each bloc, governed by a superpower, have repercussions on our country and its neighbors; hence, different deals are being made that could generate conflicts over the short or long term. In September 1983, Brazil granted the United States the construction of an air naval base on Trinidad Island; and, in September 1984, it began being considered the 'privileged strategic ally' of the United States, through a series of agreements, including those to back nuclear development, to produce weapons, etc."

"Chile, for forceful reasons of an international nature, has increased its oil development in southern America and has mobilized its political action relating to shipping in the Strait of Magellan, pursuing its expansionist ambitions, which will affect vital Argentine interests."

"These geopolitical aspects entail a need to maintain a defense system suitable for counteracting, in such a way as to deter those effects that could jeopardize our sovereignty."

On the basis of this realistic description of our country's strategic situation, the report proposed to optimize the criteria used by Brazil and Chile; in other words, to perfect to the maximum extent the criteria for selection, and to reduce the draft period, making use of the mobilization of reserves (as Chile has done) to keep the instruction and military training updated.

These are the basic guidelines on which the proposal from the government party bloc of deputies is founded, one which could be accorded rapid treatment in the Lower Chamber, based on information procured in Congress during the past few hours.

2909

### **Integration Agreement With Brazil To Be Reassessed**

#### **Short End of Stick for Argentina**

33480185c Buenos Aires CLARIN in Spanish  
3 Jul 88 pp 8, 9

[Text] A year after the integration agreements were signed between Argentina and Brazil, the balance of trade shows a \$280 million deficit on our side. What is even more serious, it appears that the bulk of Argentine imports consist of industrialized goods with a high value added, while our exports are basically primary goods.

It is significant that the first year of the integration agreements has yielded a \$280 million deficit in Argentina's bilateral trade with Brazil. This contrasts with the slight surplus of \$8 million that Argentina enjoyed in its trade with Brazil in 1986.

Preliminary figures from the neighboring country for the first 5 months of 1988 peg Argentina's trade deficit with Brazil at \$110 million. Sources at the Secretariat of Industry told CLARIN that this year the negative trade balance will remain.

### **Fewer Exports, More Imports**

The 1987 trade deficit was due both to the decline in Argentine exports (\$539 million in sales in 1987, as opposed to \$698 million in 1986), and to an increase in imports from Brazil (\$819.3 million in 1987, \$690 million in 1986). In this way, Argentine exports fell by 22.8 percent while imports rose by 18.7 percent.

According to the broken down figures provided by the National Institute of Statistics and Census (INDEC) for the period through November 1987, 62.1 percent of Argentina's exports to its neighbor consisted of primary goods and manufactures of agricultural origin. The remaining 37.9 percent comprised industrialized goods.

Argentine sales, according to data supplied by the Argentine-Brazilian Chamber of Commerce (available through October 1987), were led by wheat (\$101 million), fresh apples (\$27.5 million), cow hides (\$25.7 million), gear boxes for automobiles (\$18 million), fresh pears (\$17.9 million), and then corn, tuna, and hake, in decreasing values.

The decline in sales to Brazil was the result of lower volumes in sales of corn (\$59 million), cow hide (\$26 million), soybean oil (\$19.2 million), black beans (\$6 million), garlic (\$4.3 million), white beans (\$2.9 million) and beef (\$2.4 million). These decreases were partially offset by higher sales of wheat (\$21 million more), frozen hake (\$13 million), fresh pears (\$7.9 million), and fresh apples (\$3.3 million).

On the other hand, 90 percent of Brazil's exports to Argentina were made up of raw materials and industrialized goods. The most noteworthy were spare parts and finished capital goods, which accounted for 22 percent of total exports.

The products at the head of the list of Brazilian exports were iron ore (\$73 million), automobile parts and accessories (\$28 million), unroasted coffee beans (\$27 million), fuels (\$25.7 million), engine parts (\$12 million), and so on.



### Brazilian Restrictions

The fall in Argentine exports was not due exclusively to smaller exportable surpluses and the decrease in the prices of primary goods.

Argentina did not see major progress in the area of industrial manufactures, either, as sales in this category totaled \$183.3 million for the first 11 months of 1987. The figure for 1986 was very similar, \$173.8 million.

It is well known that Brazilian authorities imposed severe restrictions on imports, which hurt Argentine sales. There were delays in many cases, and in other cases direct denial of authorization to import. In fact, Argentina did not fulfill its quota of wheat sales under the agreement (commitment to purchase 1,375,000 tons according to Protocol No. 2) because of Brazil's uncooperativeness. As a result, 150,000 tons of wheat was left over.

Brazil, on the other hand, increased its sales not only of goods in general, but particularly of products with a high value added. Thus, spare parts and finished capital goods went from a 15.8-percent share of total exports to Argentina in 1986 to a 22-percent share in 1987, thanks to an increment of nearly 50 percent in absolute terms in Brazil's sales to the Argentine market. This figure rose from \$108.9 million in 1986 to \$158.8 million in the first 11 months of 1987.

Brazil's great zest for exporting is evidenced, moreover, by the fact that nearly all of its imports from Argentina are negotiated goods, which means that they are recorded as compensated trade restricted to agreements between parties. In contrast, only 46 percent of Brazilian exports are on the list of negotiated goods, which means that more than half of Brazil's sales can be attributed to a boost in exports outside the trade agreements.

Under Protocol No. 2, Brazil agreed to purchase 1,450,000 tons of wheat in 1988. Brazilian officials informed their Argentine counterparts, however, that they had decided to cut the amount of imports because of slackening local demand as a result of the elimination of wheat subsidies and higher domestic production.

The automobile protocol, No. 21, is also suffering the consequences of Brazil's decision to deregulate imports of foreign cars. Annex 1 of the automobile protocol reserves 5,000 units in 1989 and 10,000 vehicles in 1990 for bilateral trade.

Argentina had focused its strategy on the portion assigned to luxury automobiles, but now the main auto companies plan to sell those models on the Brazilian market directly from their home offices in Europe and the United States.

### Prospects

The deficits for this year and last year take Argentine-Brazilian bilateral trade back to the days of the military government, when under the protection of the overvalued peso Argentina had trade deficits on the order of \$300 million. This trend seemed to have been reversed in 1986 when trade moved into balance, but once again Argentina has suffered a setback, this time thanks to the integration agreements.

### Nofal: 'Positive Results'

33480185c Buenos Aires CLARIN in Spanish  
3 Jul 88 p 10

[Interview with Under Secretary of Industrial Development Maria Beatriz Nofal by Liliana Franco]

[Text] The under secretary of industrial development, Maria Beatriz Nofal, believes the results of the integration agreements with Brazil have been positive. She stated that the objective we should seek is to boost our exports of manufactured goods.

[Question] What results has Argentina obtained since the protocols were signed with Brazil?

[Answer] The results have been positive for Argentina in the area of industrial goods. Argentina used to export few industrial manufactures to Brazil, and that was related to the fact that both countries had adopted a closed model of growth on the import side, especially Brazil. Through negotiations, we were able to substantially increase trade in certain industrialized goods. We see that under Protocol No. 1 on capital goods, Argentine exports expanded six-fold, while imports by Brazil tripled. We exported \$18 million worth in 1987 and imported \$23 million worth. Argentina has traditionally imported capital goods from Brazil, not exported them. The same can be seen in a number of other industrial categories, such as chemicals, glass, and related manufactures, where exports have risen more than 100 percent.

[Question] What is the composition of the trade?

[Answer] We import primarily industrial manufactures from Brazil, plus a few types of commodities. We export primarily agricultural products: wheat, corn, and hides, which have dominated our trade with Brazil. What we have seen in this first year of the agreements is a reversal of that trend: Argentina has begun to increase its exports of goods with a higher value added. This is not, however, reflected in the balance of trade; last year Argentina had a deficit, in keeping with the trend of the last decade or so. Throughout this time, we have always had deficits of \$200 million to \$265 million with Brazil, except for 1986. Last year the deficit amounted to \$213 million, but it can be explained basically by the decline in exports

by agriculture-livestock producers and by the fact that although Argentina has traditionally exported fuel to Brazil, last year an emergency forced us to import it from them.

[Question] Will finished automobiles be imported from Brazil?

[Answer] Finished automobiles will be exported and imported as well. The fact that we are trading finished automobiles gives an idea of how important this agreement is, because the auto industry was one of the key sectors selected in the two countries' import substitution process. The goal is to trade. The quota for 1989 is 5,000 units, and for 1990 10,000 vehicles, autos, and light utility vehicles that can carry up to 15 passengers.

[Question] Why is the balance of trade with Brazil still unfavorable to Argentina?

[Answer] The balance of trade was unfavorable to Argentina in 1987 by an amount that is approximately the same as the average for the decade. We have had larger deficits in the decade. But this comes about in a context in which exports of goods with a greater value added have grown. For example, in 1986, of the 16 top exports from Argentina to Brazil, only 1 was a manufactured product from the industrial sector. In 1987, 5 of the 16 top exports were industrial in origin.

Although there was a trade deficit, we must clarify, first of all, that it is close to the average for the decade; secondly, that exports of goods with a greater value added have increased; and thirdly, that the integration agreements are not the cause of this unfavorable balance. Data analysis shows that the trade balance for negotiated products is even. Argentina exports mainly negotiated goods to Brazil, while only 46 percent of our imports from Brazil are negotiated goods. This means that 54 percent of our imports from Brazil are from areas outside the integration agreements.

[Question] Why are there fewer exports of those goods to Brazil?

[Answer] On the one hand, demand contracted sharply in Brazil and production was sufficient to meet the needs of the Brazilian domestic market. On the other hand, this is combined with the fact that Argentina had a problem with poor harvests, low international prices, and insufficient fuel production. The latter problem prevented Argentina from exporting fuel to Brazil, and in fact we had to import it.

[Question] Is it easy for Argentine businessmen to take advantage of the benefits offered by this agreement with Brazil?

[Answer] Sometimes businessmen have trouble penetrating the Brazilian market because there are deterrents in that country; people say a certain product cannot be

imported because of the clause that covers similar national products. That cannot happen with the products on the common list, such as capital goods. A product negotiated in that manner is a national product on both markets. And in case this rule is flouted, the Secretariat will help them by defending the access of Argentine goods.

[Question] What difficulties lie in store for the sale of agricultural products in Brazil, in particular wheat?

[Answer] Between January and October 1986 we exported \$76 million worth, while during the same period of 1987 we sold \$94 million worth. The commitment of 1,450,000 tons was not entirely fulfilled, however. There was a remainder of 150,000 tons, which could be replaced by corn. Due to Brazil's agreements with the IMF, it is cutting subsidies to agriculture-livestock products, but Brazilian farmers feel that the culprit is the agreement with Argentina. This is not true; the government took this action because of internal political considerations.

It is very important for Argentina to avoid exerting pressure to boost exports of agriculture-livestock goods and to turn its efforts to ensuring that the decline in these sales is offset by commensurate increases in sales of industrialized goods.

#### Contrasting Opinions Noted

33480185c Buenos Aires CLARIN in Spanish  
3 Jul 88 p 10

[Text] In the various industrial sectors involved in the integration agreements, there are differing opinions on the pros and cons of these pacts. Even within the same manufacturing activity there are different points of view, depending on the particular characteristics of each firm. CLARIN asked the opinions of officials in the steel, machine-tool, automotive, and auto parts industries, and their answers revealed the following situations:

#### Steel

The balance of bilateral steel trade is extremely favorable to Brazil, which has been heavily subsidizing its internal and external production. Moreover, Brazil has a system of compensated trade as part of its program of tax benefits for exports (BEFIEX), based on a minimum ratio of 3 to 1 between exports and imports.

The national sector hopes that the agreements obtained within the framework of Protocol No. 13 can be implemented. This protocol provides for preferences for Argentine sales of shapes, cold rolled sheet, bars, and seamless steel pipes. These products will soon be expanded, and will require commercial reciprocity.

### Machine Tools

Bilateral trade in this sector between Argentina and Brazil has developed very favorably since the implementation of Protocol No. 1, on the sale of capital goods, says the Argentine Association of Manufacturers of Machine Tools, Accessories, and Related Products (AAFMHA).

The balance of trade in 1987, the first year of the pact, showed a five-fold increase in the total amount of bilateral trade in this sector, for a total of \$25 million. The value of Argentine exports was 11 times greater, yielding a hefty \$11 million surplus in the balance of trade for this sector.

In machine tools for metalworking, which account for the majority of products on the common negotiated list for trading with a zero tariff and eliminating nontariff barriers, a substantial increase has been seen in Argentine exports. The total rose from 99 exported units in 1986 to 1,111 units in 1987, resulting in a 20-fold increase in value.

Sales on the Brazilian market, adds the AAFMHA, have continued their upward trend in the first quarter of this year, partly cushioning the severe impact of the contraction of the domestic market.

### Automotive Industry

The Association of Motor Vehicle Manufacturers (ADEFA) has not yet taken an official position on the integration agreements with Brazil, because there are still disagreements within that entity regarding the pros and cons of these pacts.

Meanwhile, the firms are maintaining a cautious silence on the matter, but sources say off the record that two of the auto companies, Sevel and Autolatina, are in favor of the agreement, while the third, Renault, has objections to it. The same is true of the manufacturers of heavy vehicles. While Mercedes Benz favors the agreement, Saab-Scania is withholding judgment.

As for Autolatina and Sevel, sources explain that both firms have major plants in Argentina and Brazil, and that these integration agreements would be an interesting way of keeping production costs down by standardizing materials, equipment, and parts for auto manufacturers. In addition, there is the possibility of attaining mass production and gaining access to export markets through models such as the Peugeot 505, the Ford Sierra, or the Ford Escort.

For Renault, on the other hand, the situation would be more complex, because it does not have a plant in Brazil. Therefore, the advantages of integration would be much more limited, while disadvantages would be greater. On the one hand, Brazilian cars come into an Argentine market that is reduced "to the minimum," while on the

other hand, the most direct competitors of this manufacturer will have access to integration benefits at their plants, to the detriment of Renault.

It has been reported that officials have looked into the possibility of setting "quotas" for each firm as a way of smoothing over differences. For the time being, there does not appear to be a great deal of consensus on this idea.

### Auto Parts

Total trade in auto parts with Brazil amounts to \$100 million a year, of which about \$70 million accounts for imports from Brazil and \$30 million represents Argentine sales to its neighbor. Annex II of Protocol 21, which was signed recently, calls for trade amounting to \$150 million by 1989. An imbalance of 15 percent will be tolerated; any deficit greater than that will have to be reduced in the following years by expanding the exports of the deficit country. The common list of products should be completed by October.

The auto parts sector maintains that the protocol is a positive development, but it criticizes the fact that only commercial trade is covered. As it happens, this favors the Brazilians because of the disparity in the economies of scale that the two countries' sectors can achieve. The chambers argue that commercial expansion should involve an industrial integration that guarantees efficiency.

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### Government Unable To Improve Finances of State Enterprises

33480185a Buenos Aires CLARIN in Spanish  
3 Jul 88 pp 28, 29

[Article by Marcelo Bonelli]

[Text]

### Railroads

In 1987, the deficit amounted to 2.728 billion australes (\$777 million). Spending was four times as much as revenues, reaching a total of 3.633 billion australes. Indebtedness, which remained constant in 1986, rose last year by 8 percent to a total of 3.159 billion australes.

Income from sales dropped 10 percent in 1987, after a 14-percent increase in 1986 and a 19-percent decline in 1985.

Traffic units fell by 1.6 percent, while the number of passengers surpassed the previous year's total by 3 percent. The volume of freight was down approximately 8 percent. In 1985, traffic fell by 7 percent, but in 1986 it was up 4 percent. Freight traffic was off 16 percent in 1985, and another 3 percent in 1986. Passenger traffic

rose by 3 percent in 1985, 10 percent in 1986. The railroads transport only 6 percent of the nation's freight. Service has deteriorated, which has resulted in further erosion of the market share. The availability of locomotives and freight cars is still limited. Of the total number of inter-urban trains running (express and semi-express), 54 percent were late. Of freight trains, 50 percent ran late. Investments fell by 48 percent in 1985 and 22 percent in 1986, but rose 7.5 percent in 1987. Less than 40 percent of the projects scheduled for renovation and repair of lines were completed in the year. In August, 332 locomotives, out of 641 available, were out of service because of the deterioration of equipment.

Investment is insufficient to reverse this downward trend; it totaled 327 million australes in 1987.

Personnel spending was twice as high as sales revenues, just as it was in 1986. There was a 1.8-percent cut in the payroll, leaving a total of 98,100 employees.

#### Argentine Shipping Lines (ELMA)

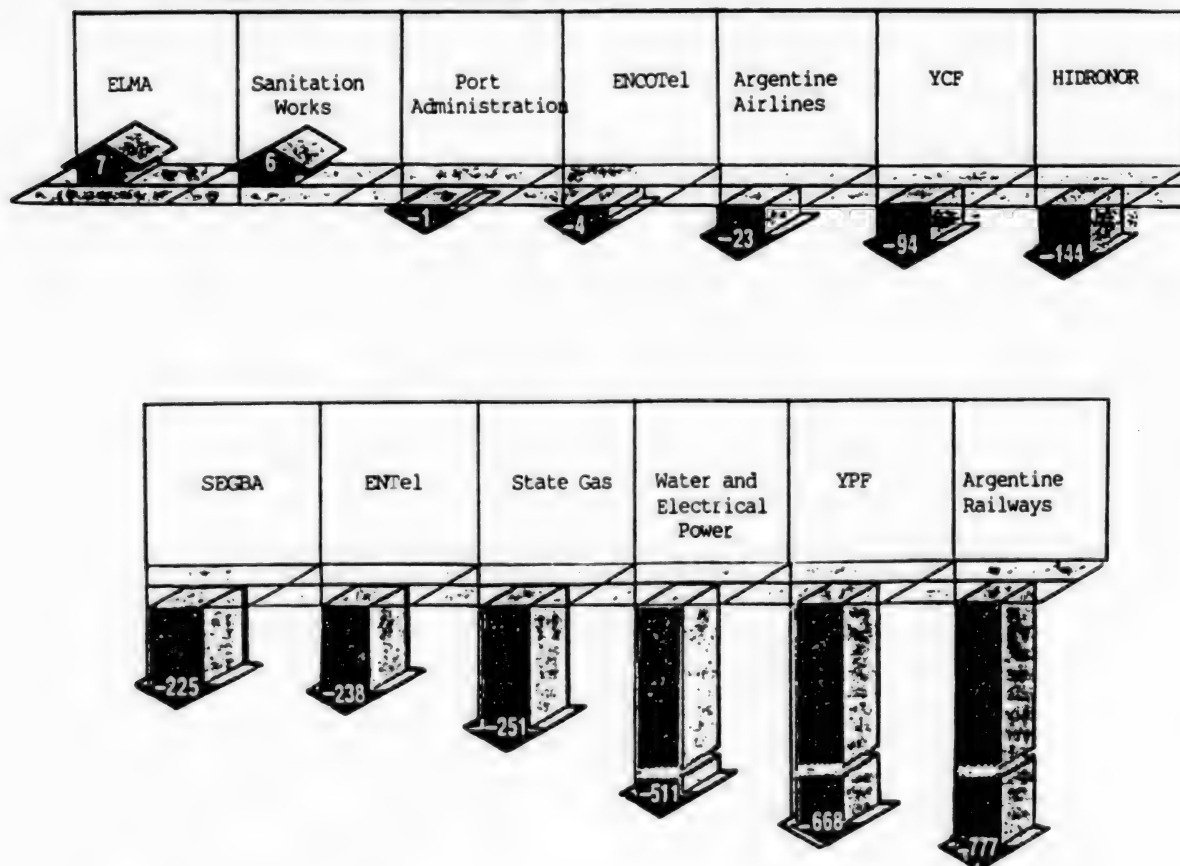
This enterprise registered a surplus of 24 million australes in 1987. Sales totaled 840 million australes, and income from freight was up 17 percent. This figure had dropped

14 percent in 1985 and remained unchanged in 1986. The amount of freight transported rose by 24 percent, compared to a decline of 4 percent in 1986 and 22 percent in 1985. Investment expanded to 31.6 million australes, primarily in the construction of two ships (Isla Malvina and Isla Soledad). Funds were also used to build a ship commissioned by the State Shipyards and Naval Factories (AFNE). The decision by the Central Bank of the Argentine Republic (BCRA) to require payment of local shippers' freight charges at the commercial market rate caused severe damage. Indebtedness fell 5 percent, compared to an increase of 28 percent in 1986. The payroll shrank by 2 percent, for a total of 4,905 employees.

#### Government Oil Deposits (YPF)

This enterprise's deficit amounted to 2.344 billion australes (\$668 million) in 1987. Total spending exceeded revenues by 18 percent. In 1985, sales fell 14 percent, but climbed 11 percent in 1986. Sales figures for 1987 ranged widely, depending on the product: Fuel oil was up 30 percent because of the lack of gas, while gasolines were off 2 percent and gas oil rose 3 percent. So far in 1988, sales have fallen because of adjustments in fuel prices.

Losses of Public Enterprises in 1987\*



\*In millions of dollars



Sales income dropped 4.3 percent due to the taxes levied by the Treasury.

YPF had to import some \$200 million worth of derivatives. It exported when the price on the international market was down, and imported when it was high.

The enterprise suffered notable losses in prospecting and drilling in 1987.

#### National Sanitation Works (OSN)

This is one of the few enterprises that recorded a surplus in 1987, 22 million australes. In 1985 and 1986 there was wasteful consumption, a problem that was aggravated in 1987. Problems in water availability were accentuated in Greater Buenos Aires. There have been distribution problems caused by the age of the network; 70 percent of the lines are twice as old as their useful life.

#### Financing Needs of Public Enterprises in 1987 (in millions of dollars)

	Revenues	Spending	Net Financing
Argentine Airlines	710	733	- 23
General Port Administration	50	51	- 1
ELMA	239	232	+ 7
ENTel	1,081	1,319	- 238
ENCOTEL	276	280	- 4
Sanitation Works	202	196	+ 6
Argentine Railways	258	1,035	- 777
Water and Electrical Power	540	1,051	- 511
State Gas	978	1,229	- 251
YCF	42	136	- 94
SEGBA	777	1,002	- 225
YPF	3,569	4,237	- 668
HIDRONOR	115	259	- 144
<b>Total</b>	<b>8,837</b>	<b>11,760</b>	<b>-2,923</b>

Investment was down in 1987. Only 777 wells were drilled, 22 percent less than what was needed. Investment was 2 percent lower than the 1986 figure, which in turn was 34 percent lower than in 1985, which registered a decline of 27 percent with respect to 1984. A total of 690 wells will be drilled in 1988.

Indebtedness is still on the rise, having reached 10.204 billion australes for an increase of 3 percent. The 1986 figure was already an increase over the 1985 total.

The businesses in the energy sector are not paying off their debts to YPF.

#### Airlines

The financing needs of the Argentine Airlines totaled 80 million australes. Sales were up 20 percent, a significant improvement over 1986, when strikes halted flights in June and July. If that gap were not included in the calculations, sales would be up by 4 percent. In 1986, domestic sales fell by 9 percent, international sales 32 percent. Indebtedness grew by 13 percent in 1985 and 20 percent in 1986, and remained the same in 1987. The enterprise began making investments again, and regained its share of the domestic market.

Preventive maintenance is not performed, so the sewage system is in a critical state. Consequently, untreated effluent is dumped into natural bodies water, with the resulting pollution. In 1987 the water supply remained at the 1986 level, which was 10 percent lower than in 1985. The multiple charges systems are inefficient and unreliable. The low collection rate, estimated at 86 percent of total billing, remained unchanged. In other words, 14 percent of what is billed is not collected. Only 50 percent of planned investments were actually carried out, resulting in a 42-percent decline with respect to 1986, which was 27 percent lower than the previous year. The total debt decreased by 15 percent. The increase in employees was just 0.6 percent, for a total of 9,487.

#### Ports

This enterprise's losses in 1987 amounted to 4 million australes. Sales revenues were off 11 percent in 1987, after a fall of 15 percent in 1986 and an increase of 9 percent in 1985. Investment declined by 32.5 percent, compared to a drop of 16 percent in 1986 and an increase of 45 percent in 1985. Exports by this enterprise were down 12.5 percent in 1987. The decline in exports and the low rates aggravated the financial plight of the enterprise. Use of the port fell 11 percent, and it lost its market share to private ports used by grain exporting firms. The debt was 8 percent lower in 1987, after falling 11 percent in 1986. In 1985, the debt had grown by 88 percent. The payroll was 6.2 percent smaller.

### **National Enterprise for Mail and Telegraph (ENCOTEL)**

Losses amounted to 15 million australes in 1987, 2.5 million more than in 1986. This enterprise has lost important customers, such as the General Directorate of Taxation (DGI) and the credit card market. It does not monitor the speed of the mail service and has no cost system to measure efficiency. There are reportedly some 300 underground mail companies that operate without authorization and do not pay the fixed postal rate. Investment increased by 86 percent, attaining the levels of 1982. Income from sales was up 24 percent, continuing the trend established in 1986. The volume of letters fell by 1 percent, as it had in 1986. Telegrams, on the other hand, were up 6 percent, compared to declines of 7.2 percent and 2.4 percent in 1985 and 1986, respectively. The enterprise increased its debt by 3 percent; in 1985 the debt had risen by 12 percent, but it fell by 40 percent in 1986. The number of employees was down 3.5 percent.

### **Water and Power**

The budget deficit of this enterprise reached 1.792 billion australes in 1987, compared to 218 million in 1986 and 65 million in 1985. Revenues covered only half of spending in 1987.

Sales rose 11.3 percent last year, while production grew by 14 percent. In 1986, activity had expanded by 7.6 percent, sales 9 percent. In 1985, production and sales fell by 3.2 and 3.7 percent, respectively.

Last year the enterprise's investments fell short of its needs. In keeping with the trend of recent years, investment has remained at 50 percent of historic levels. In 1985 it was off 44 percent; in 1986 it rose by 12 percent, and in 1987 just 2 percent.

The enterprise's indebtedness amounts to 6.196 billion australes, 3 percent higher than the 1986 total, which in turn was 9.9 percent higher than in 1985.

The payroll shrank by 1.5 percent, for a total of 11,120 employees.

### **State Gas**

This enterprise was 882 million australes in the red in 1987; spending was 25 percent higher than revenues.

The supply of gas to households declined by 1 percent with respect to 1986. That year there was a 6-percent increase, following a 14-percent decline in 1985.

The debt rose by 12 percent in 1985, 6 percent in 1986. Now, thanks to the purchase of Cogasco (a nationalization in the midst of the privatization announcements), its obligations rose by 43 percent compared to 1986, for a total of 4.871 billion australes.

The delays in collections for industrial consumption are still a problem, and there are persistent defects in the billing system. As a result, financial losses were heavy in the third quarter of 1987.

The level of hiring at State Gas fell again: 3 percent in 1985, 4 percent in 1986, and 1.5 percent in 1987. Now it has a total staff of 9,300.

In 1987 the enterprise had to import fuel to make up for the gas shortage. This year it claims there will be no shortfall. The enterprise is not self-financing; revenues totaled 3.432 billion australes and outlays amounted to 4.314 billion.

### **Government Coal Deposits (YCF)**

The deficit reached 330 million australes in 1987; spending was three times as much as income.

The debt rose by 17 percent, for a total of 1.212 billion australes.

Production was off an average of 14 percent. Investment was supposed to be 92 million australes, but only 44.9 million was actually spent. It was also higher than in 1986. The payroll consists of 3,601 employees.

Official reports indicate that operating costs are unknown, and the enterprise does not have enough funds to operate.

The pact signed with a private contractor called Copetro may result in a loss of profits, because YCF is obliged to sell to that firm at very low prices.

### **Greater Buenos Aires Electrical Services (SEGBA)**

Its financing needs in 1987 amounted to 790 million australes. Spending was 30 percent higher than revenues.

Sales were up 9.8 percent, compared to 9 percent in 1986. They had fallen by 4 percent in 1985.

The theft of electricity has continued. It totaled 70 million australes in 1985, 80 million in 1986, and 100 million in 1987, equal to the amount of money invested in the system.

The theft of power measured in physical units increased by 16 percent in 1987. This figure has been rising since 1982.

Electricity rates are still 20 percent short, despite the huge increases of the last few months.

The enterprise did not earn enough to meet its cash needs. One report indicates that "the economic situation reveals major setbacks."



Investment was off 26 percent in 1985, and fell another 36 percent in 1986. In 1987, it was supposed to rise by 42 percent.

The debt rose in 1985, but managed a 5-percent decline in 1986. In 1987 it grew by 9 percent, reaching a total of 2.042 billion australes.

**National Telecommunications Enterprise (ENTel)**

ENTel's deficit reached 837 million australes in 1987. Expenditures exceed revenues by 22 percent. The reports insist that service is deficient. In 1985 they said that this trend was continuing. There was a 20-percent shortfall in the telephone facilities to hook up to Megatel. The number of telephones out of service remained the same as in 1986; telephones are breaking down at a rate of 100,000 per day. In 1985 telephones needing repairs increased in number by 17 percent in relation to 1984; in

1986 the number rose by 4 percent. The net unsatisfied demand was 330,000 applications, which represents 13 percent of all functioning lines. In addition, Megatel had plans that were not yet in place even after the deadlines. This figure amounts to about 270,000 additional lines. By the end of 1987, ENTel had 2,950,000 lines that were installed, of which only 2,720,000 were in service. In 1987 Megatel's expansion projects, though incomplete, accounted for a 96-percent increase in investment. Investment also nearly doubled in 1986, and rose by 24 percent in 1985.

ENTel's debt grew by 13 percent. In 1986 it remained stable with respect to 1985, when it rose by 7 percent. The payroll, which has 46,115 employees, has remained almost unchanged.

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### Motives of Politicians Requesting Raise Questioned

33480180b La Paz EL DIARIO in Spanish  
13 Jul 88 p 2

[Editorial: "The Unjustifiable"]

[Text] With the increase in congress members' salaries consolidated, the reactions recorded on all levels have prompted the most outlandish responses which, in the end, only make this raise unjustified within the parameters offered by the most elementary logic. This is disturbing, because the legislators, who are presumed to have qualities somewhat superior to those of any ordinary citizen, did not find any arguments (nor will they) for something that transcends the proportions and economic status of the Bolivian state, as well as the population's economic situation.

We realize that, despite the thousands of protests that may be made, the case will pass on to oblivion with the next legislative recess; but what will not be forgotten are the justifications which they attempted to foist on a people still considered to be overly naive. Let's observe some of the arguments put forth or cited in response to the increase in pay for senators and deputies: The first argument used, in the most childish manner, was that this increase could prevent corruption among deputies and senators. There are several questions in this regard: Are they themselves convinced that there is corruption among their members? If so, why not charge and punish them, in view of the fact that low salaries or meager income are no justification for succumbing to crime? If there is corruption among the national legislators, what can be expected of the others governing, especially those on the medium and low levels of public administration? It was unquestionably an unsuccessful, stupid attempt, smacking of self-accusation, to use this argument.

In an attempt to correct the foregoing, someone came up with another story: The increase in salaries would be useful for political proselytism, because of the proximity of the elections. Does this mean that the state, and through the state coffers, the people must pay for the political partisan adventures of the legislators? This is another erroneous, unforgivable claim, questioning the conduct and morality of those engaged in politics in Bolivia; it implies that it goes without saying that partisan campaigns must be financed at the expense of the national treasury and the people.

Once again, the honorable legislators have been mistaken about methods of treating economics which bear no relationship to the crisis in which the republic currently finds itself; but they go even further, because they are clearly wrong in attempting rash explanations, which compromise such areas as ethics and decency. Sometimes it is better to be silent when there are no valid arguments to explain what is inexplicable.

### Brazil Pipeline Key to Regional Integration, Say Editorials

#### Opposition to Gas Sales Scored

33480193d Santa Cruz EL MUNDO in Spanish  
16 Jul 88 p 5

[Text] When we talk of expanding our commercial ties to Brazil, we cannot overlook the sale of gas by Bolivia. Gas in exchange for development continues to be the formula for a lasting understanding with our neighbor.

It is not an obsession to keep talking about gas sales to Brazil; this is the sole basis for putting together a series of binational accords. If gas is not the key for launching a two-way trade with our neighbor, someone will have to explain how trade can be stepped up between the two countries, or better yet, how projects of mutual interest can be carried out.

There are those who look at gas sales from geopolitical standpoints, concluding that this natural resource would serve to strengthen Brazil to the detriment of our own interests. This position ignores the fact, at the outset, that our neighbor is an industrialized country and that we are far from entering a competitive industrial phase. It is assumed that Brazil will continue its development with or without Bolivian gas. We, on the other hand, lack the resources to put in place a highway network that would provide a lifeline to connect our country with the oceans of the world.

A lot of time has been wasted arguing about gas sales to Brazil, and in the meantime, the country has not entered an industrialization phase that would make it unnecessary to market the gas. On the contrary, we are forced to export gas, one might say, to meet the expenses of the most minimal development.

Although Brazil expresses optimism in pointing out that the plan to buy Bolivian gas could be made to work, on Bolivia's side it is alleged that the terms are not right and the price is not ideal. We must take into account the fact that the price of gas on the international market fluctuates from one moment to the next, and that in principle it can only be regarded as a point of reference. The important thing is to get to work building the gas pipeline, connecting it with other projects that are of interest to us and would be well received by Brazilian public opinion.

If we make ours a country of contacts, we will undoubtedly occupy a strategic position in Latin American trade. We will thus become the hub of communications among the nations of the Atlantic and the Pacific, and thus contribute to Latin American integration. For this purpose, we must turn the gas into railroads and highways, which will definitely open up possibilities for our continued development as an independent nation.

We must make the pipeline and the sale of gas to Brazil a project that transcends the issue of gas exports. We must look beyond the implications of a commercial transaction and make gas a lever for national development. Only by thinking this way will we be able to give a constructive thrust to our relations with Brazil.

Those who oppose gas sales to Brazil have not stopped to think that in a few years it will sign a pact with Argentina, and Bolivia, lacking any other goods to export, will run the risk of watching its economy grind to a halt.

There is no major flow of capital toward Bolivia, and as far as we know, no one is planning on investing in our country. Under these circumstances, we cannot remain importers par excellence; we need to export gas or whatever we can. In view of this situation, we cannot afford to oppose the sale of gas to Brazil because of a political cause or for geopolitical considerations, which are out of place in a country with no ports, no highways, and no railroads.

**Change in Attitude Toward Gas Sales Traced**  
33480193d Santa Cruz *EL MUNDO* in Spanish  
17 Jul 88 p 5

[Text] The negotiations with Brazil regarding gas sales are no longer prompting demonstrations, communiques, or lectures in our universities. On the contrary, many lament the fact that no agreement could be reached at a time when it was possible not only to finance the gas pipeline to Brazil, but also to link gas sales with a center of development in Bolivian territory.

Whenever anyone mentioned gas sales to Brazil in the past, a whole series of political-labor pronouncements would be unleashed. It got to the point that many military governments cited the defense of gas among their postulates. Not only did they contend that Bolivia should not sell its gas, but they also argued that the influx of foreign capital should be prevented at all costs. What they did not say was what we should do with our natural resources, given that we lack not only capital but also internal technological resources.

The Bolivian left concealed its ideological poverty behind an ultranationalist facade. For decades the citizens of our country heard politicians declare that we should not allow the presence of foreign capital, and that any deal with Brazil would constitute no less than a renunciation of our status as a sovereign nation.

In the second half of this decade, following the failure of the Democratic and Popular Unity (UDP) government, the pronouncements by the Bolivian left are mere stereotypical ideas. Today the average citizen would like to see a lot of foreign companies installed in Bolivia, and now no one questions the government's negotiations with Brazil for the sale of gas. On the contrary, their main concern is that the project continues to be delayed.

We are also concerned about the fact that even though there are no objections to foreign investment or the sale of our natural resources today, there is little interest on the part of foreign capitalists. The dread transnationals are apparently pretending the Bolivian market does not exist.

The Bolivian leftists are responsible for much ado about nothing. Bolivia has not even managed to build an interoceanic highway on its own, and the ultranationalism has not brought us a competitive industrial infrastructure.

The situation is such that the slogans of the left have become obsolete. The ultranationalism of the past decades, moreover, is sounding more and more tepid. One benefit of the current crisis is that it has made us face up to reality. Indeed, more than one trade union leader has abandoned the treatise of the revolution to take up the stout defense of the large coca producers. Even though this may be another blunder by the left, it represents a tacit abandonment of the revolutionary utopia.

The country has changed a great deal in the last 5 years. The utopias that galvanized the masses have been relegated to history. Today people are beginning to realize that an entire era has come to a close, irreversibly, and that what lies ahead of us is the building of a country.

08926

**Editorials Discuss COB Failures, Ineffectiveness**

**Government Alerted**  
33480180a LA Paz *EL DIARIO* in Spanish  
24 Jun 88 p 2

[Editorial: "COB Mobilization"]

[Text] News has again come from Bolivian Labor Federation (COB) sources, with one of its leaders declaring that this labor organization is in a state of emergency "which will culminate in an indefinite general strike." All that is missing from the statement is the trite phrase "to the final consequences," customarily included in announcements of this type.

He adds that a schedule for mobilizations has been prepared, which should obviously concern us, because they usually interfere with the nation's normal existence. Every complex development (in addition to the crisis besetting us) has its negative side, and deserves reflection. Although COB's decisions have not yet been made, by the same token it is important to consider the national situation.

Among the reflections that could be made there is the one relating to COB's organizational status, which has deteriorated because of its constant mistakes, especially those of its leaders who, not long ago, were allied with a

government of so-called Popular Democratic Unity (UDP), comprised basically of the Communist Party and MNRI (Movement of the Revolutionary Left); in which COB's top-ranking leaders were implicated without pretense, acting concurrently (or dually) without any real solutions for the country. The main connotation of the "UDP" period was the policy of "dedollarization," which impoverished the inhabitants of Bolivia even further, converting Bolivia into the largest importer of paper money.

Moreover, it is important that the rulers consider the fact that the nation's productive system is still paralyzed, without much being done to reactivate it. Industries are dying out irreparably, and the government seems complacent about that situation. The result is that jobs are decreasing and unemployment is arriving, with the hunger that it entails for the worker and his family, as well as economic recession and a possibility of inflation, compounded simultaneously by crime. Included in this situation is the drug traffic, because the government's policy has not affected the structure of the nation per se which, in order to become viable, needs an incentive for production and competitiveness.

Up until now, the monetary and exchange areas have been arranged plausibly, but (regardless of how many announcements have been made) nothing has been done about what is essential, namely, to activate the existing productive system and cause new investments to open up. Since this entire complex mechanism has been left virtually abandoned, the labor announcements and mobilizations are arriving, with consequences that are not always predictable, regardless of how much one accepts the labor organizations' weakness and effect.

#### **Link to Coca Growers Cited**

33480180a Cochabamba EL MUNDO in Spanish  
1 Jul 88 p 5

[Editorial: "The COB Routine"]

[Text] The COB [Bolivian Labor Federation] bureaucracy entered the realm of routine some time ago. Its aggrandized members know nothing but how to order mobilizations and work stoppages which, as a rule, are confined to the state agencies. Their brutal attacks on private enterprise, regardless of how seldom they occur, are translated into acts against the public sector.

Defenders of the state economy, as the COB leaders proclaim themselves, are inflicting sizable losses on public enterprises, which have been converted into the last strongholds of anarcho-syndicalism.

The strikes ordered by the COB leaders, in violation of the General Labor Law, affect enterprises such as ENFE [National Railway Enterprise] AASANA [Auxiliary Air Navigation Services Administration], or LAB [Lloyd

Bolivian Airlines]; ultimately associating them with a problem with which the workers have no connection, such as that of the major coca producers.

The recent strikes ordered by COB have been a genuine failure, to the point where they have gone unnoticed by the ordinary citizen. Everyone except the COB leaders knows that the strikes have ended up losing credibility.

When the COB leadership shows up associated with the large coca producers, one can only think of the political and ideological aberration of those leaders.

From the standpoint of workers' demands, COB has not managed to take a single step forward during years of constant agitation; because, in the end, what it has caused is a greater deterioration in the country's economic situation.

It may be claimed that the COB mobilizations and strikes are totally unproductive for labor sectors. The workers themselves should thoroughly analyze the gains accrued as a result of their leaders' intransigence. The fact is that they cannot chant victory while remaining dissociated from a policy demanding work and production as factors for economic and social development.

The union demagoguery has an increasingly smaller audience; and for this reason the COB leaders have ended up involving the labor movement with the defense of the large coca plantations. From the miners' movement as a platform for trade unionism to the defense of the large coca growers there is an abyss that indicates the decadence of the Bolivian labor leadership.

The top labor leaders have taken the wrong course of action. Not only have they proven unable to interpret the major changes occurring in the world, but they have also lacked the wisdom to champion a policy of national accord, aimed at coping with the crisis. Ultimately, they have been unable to assimilate a work culture as a starting point to deal with the crisis. They have tried to be belligerent in the class struggle, only to end up as allies of the large coca producers, in what has constituted the Bolivian left's greatest political folly, with but very few exceptions.

#### **Ultraleft Political Implications Claimed**

33480180a La Paz EL DIARIO in Spanish  
15 Jul 88 p 2

[Editorial: "The Last COB Strike"]

[Text] The stoppage of activities ordered by the Bolivian Labor Federation has brought about a review in the country of the entity's political strength and, on the other hand, harm to languishing activities, particularly in the productive area. That strike, which lasted 2 days, rather than submerging us in a stoppage of activities, has, rather, put us in a tense state enabling us to see the national political picture in its real dimensions.

First, COB is obviously led by extreme leftist political movements eager to form a coalition in order to gauge their combined forces in the 1989 elections which move closer with each passing day. To those political groups, COB is a fundamental organization; it is unquestionably true insofar as they managed to lend it a certain amount of labor effectiveness, and to discriminate somewhat between political action per se and essentially labor union action.

The 48-hour COB strike has afforded ample discussion in the unions to accept or refuse it. A little earlier, when COB was at the height of its preaching, such instructions were not debated, and were accepted flatly. Now, the discussions have been open, because there are some who do not believe in the preaching of the workers' federation, precisely because of its leaders' inconsistencies. So, they questioned the latter's instructions and, furthermore, deliberated on them, so as to learn whether they accept them. In many unions there was a rejection of the decision, with the argument that it is detrimental to the nation, and represents erosion for the labor movement; inasmuch as there are no clearcut, definite objectives.

The protest over the incidents in Cochabamba's Chapare area has been heard in all media, but it is sometimes overt and on other occasions timid; without denying that the repudiation of the drug traffic is also even more obvious.

With the strike, COB left industry without a chance to work for 48 hours or longer, and this runs counter to reactivation, allowing its weakness to take a turn toward death; this works to the detriment of the workers themselves, who, from this standpoint, lose their source of employment ever time a company decides to close its doors.

In short, the COB strike, in its political aspect, proves that the extreme leftist forces are acting; it also shows that the call for it is still weak, at least for the present. In the country's economy there is unquestionably damage to a nation that wants to extricate itself from the problems cited by the extreme left itself, not long ago, when it was in government office.

2909



### **PCB Seeks To Form New Political Bloc, Extend Bases**

33420121a Brasilia CORREIO BRAZILIENSE  
in Portuguese 19 Jun 88 p 8

[Article by Claudia Moema]

[Text] Accused by many of "conditional support of the government" and by others of inaction, the Brazilian Communist Party [PCB] is breaking its silence and adopting a critical stand on the current situation in the country. Meeting in Brasilia since last Thursday, the party's National Executive Committee has completed a detailed document whose proposed solutions to the Brazilian crisis involve a redistribution of income and economic growth.

While the PCB's stand is one of struggle for a redistribution of income combined with development, its internal objectives are no less important. The party has chosen as its priority goals a total of 300,000 members by the end of this year and the formation of a new democratic and progressive political bloc that will win the municipal and presidential elections. With that bloc as its base, it aspires to elect Communist municipal councilors in every municipality in which the party is organized, and to do so, it will run candidates in 1,000 of Brazil's 4,000 municipalities.

The PCB's priority, especially in elections requiring an absolute majority, is to form alliances with other democratic and progressive parties. In that process, the names of the candidates will be of little importance. The most important thing to the PCB is to stimulate the formation of that so-called bloc of progressive forces, which will result in a viable candidate committed to three points: resumption of development, the strengthening of democracy, and redistribution of the national income.

For a party with extremely limited representation in the Constituent Assembly—it has only three federal deputies—it may seem pretentious to advocate formation of the bloc of parties. But the PCB, starting from the assumption that the Left will either face up to that problem or be defeated while remaining divided, believes it carries enough political weight to suggest such a step despite the fact that it is the only party supporting the idea, although the possibility of future alliances is not being ruled out by all the other parties.

Regis Fratti, member of the National Executive Committee and the party's communications secretary, claims that during the phase of resistance and transition, the PCB has maintained a heritage of proper political conduct with respect to responsible progressive forces that enables it to be heard now. He maintains that the bloc is beginning to take shape because developments in the political area are leading in that direction, "otherwise we will all be defeated and swallowed up." In his opinion, Senator Mario Covas' resignation from the PMDB [Brazilian Democratic Movement Party] is a perfect example

of that search for a new alternative for government in the country—one which will not be victorious in isolation but which must unite large masses around its plan.

While its past provides it with the credentials it needs for negotiating with other political forces concerning its ideals, recent history has also benefited the PCB's image in the eyes of Brazilian society. And the greatest contribution in that respect comes from the other side of the planet—from the Soviet Union with its policy of opening-up known as glasnost or perestroika. The political weight of the CPSU since it began promoting changes in methods and behavior has affected the Brazilian Communist Party. Proof of that is the fact that its image, so eroded and abraded during the long period of arbitrary government, has been showing real improvement in the eyes of public opinion, especially in urban areas.

The PCB has extended its bases to approximately 1,000 municipalities and jumped from a ridiculously low membership of 18,000 in the middle of last year to 100,000. Moreover, 60 percent of those members are concentrated in the country's most developed states: Sao Paulo, Rio de Janeiro, Minas Gerais, Rio Grande do Sul, and Pernambuco. One curious fact is that the overwhelming majority of those thousands of new members are between 18 and 26 years of age, and almost half of them are women.

Granted the popular appeal stimulated by events in the Soviet Union, the big doubt has to do with the party's electoral effectiveness in the upcoming elections for federal deputies and senators, and the result is that in the current process of party reshuffling, many congressmen are resisting the idea of joining the PCB, although admitting that they like the old "Big Party." Together with the PT [Workers Party], the PCB is one of the only parties whose bloc in the Constituent Assembly has not changed. This does not rule out the possibility that the party may be "working on" many of the members, examples being Deputies Domingos Leonelli (Bahia), Geraldo Campos (Federal District), Sigmaringa Seixas (Federal District), Moema Sao Thiago (Ceara), and Plinio Barbosa Martins (Mato Grosso do Sul).

In terms of elections, the PCB is not ruling out the possibility of running its own candidates at all levels—the "purebloods," as party chairman Salomao Malina puts it. In this year's municipal elections, the party will even have an event to commemorate: this will be the first time since 1946 that it has participated in elections under the proportional voting system. (Established in March 1922, it took part in an election for the first time in 1946, when its candidate for president of the republic was Iedo Fiuzu, who received 10 percent of the vote.)

The weight of opinion is in favor of alliances, but the party intends to run candidates for municipal councilor, mayor, and president of the republic. The possibility is that it will nominate either Roberto Freire, its leader in



the Constituent Assembly, or Salomao Malina, its chairman. Givaldo Siqueira, member of the National Executive Committee and organization secretary, says that in elections using the proportional voting system, the PCB might even form an alliance with the PDS [Social Democratic Party], since Brazilian reality is so diversified.

Givaldo Siqueira points out that an alliance between the PCB and the PDS is quite possible: all one has to do is observe the national scene. "There are states where the PDS opposes the oligarchy, examples being the interior of Para and Minas Gerais. In others, the PMDB is the oligarchy. In some places, the PDT [Democratic Workers Party] is the sublate representing oligarchies, and in Paraiba, the PSB [Brazilian Socialist Party] represents the UDR [Ruralist Democratic Union]." According to Givaldo, the PCB will ally itself with any party willing to strengthen democracy and struggle for development that will stimulate the redistribution of income.

When it comes to the presidential election, the PCB will go no farther than the PFL [Liberal Front Party]. Its choices for an alliance are the PT, the PCdoB [Communist Party of Brazil], the PSB, the PDT, the PMDB, and the PFL, or even the new party. According to Malina, the logic of our policy means that "we will move toward a presidential candidate who represents a union of the country's progressive forces."

#### PCB Stand on Various Issues

- Constituent Assembly: It is democratic, with a relatively progressive content. It represents an advance, and the Left must defend the working out of its decisions in practice.
- Sarney Administration: It is passing through a process of change in its makeup that clearly reveals the hegemony of conservative forces through its political attitudes toward the Constituent Assembly and its financial-economic orientation, particularly as expressed in Mailson da Nobrega's management. Successful in winning approval of a 5-year term and the presidential system, it will strive diligently to find a viable successor to represent those forces. But it is sticking to a few fundamental positions: in foreign policy and on the question of democratic freedoms.
- Transition: It is democratic. It will produce a democratic Constitution. It will end when the new Constitution is promulgated.
- Inflation: It is the result of domination by antinationalist and antipeople banking interests.
- Agrarian reform: A requirement for the modernization of Brazil.
- Foreign debt: The bottleneck of the economy. Coping with it requires a shock treatment that will include renegotiating the payment of debt service in terms that will protect national sovereignty and rates of growth.
- Moratorium: There must be a partial moratorium for a specific period—5 years—so that during that period we can find a viable political solution for the country and meet our obligations. The party opposes refusal to pay the debt.
- Corruption in government: There is no democracy without morality in public life. The corrupt should be punished.
- Privatization of government-owned enterprises: Nonsense. The public sector is essential to the country's development along a sovereign and modern path.
- Tax reform: Supports penalizing the profits of big capital in favor of public investment combined with a distribution of income more favorable to the people.
- Amnesty for Minibusinesses: This issue must not be dealt with using demagoguery. There must be a program [text missing] better conditions for finding solutions to the problems of the people. Two rounds of balloting make the formation of majority governments essential [paragraph as published].
- Political parties: They are indispensable to a state of democratic law. The current Brazilian situation reinforces the role of the political parties.
- Future of PMDB: It depends upon whether or not the party is able to maintain its commitments to democratic aspirations.
- New party: This is part of a realignment of forces that has been taking place in the country as a reflection of the new political situation. Either the PMDB will move ahead in its positions or the new party will gain increasing strength. It will be an ally of the PCB, like any other democratic and progressive force.
- Constituent Assembly's greatest achievement: individual rights and guarantees.
- Constituent Assembly's greatest defeat: the parliamentary system.
- Brizola's candidacy: his legitimate right in the democratic process.
- Janio's candidacy: an alternative for scattering the populist vote. it is a rightwing candidacy.
- Quercia's candidacy: needs to be examined.
- Lula's candidacy: a chancy venture.
- Covas' candidacy: one of the most logical alternatives for the Brazil of today.
- Ulysses' candidacy: extremely respectable. The only statesman running for president.
- Aureliano's candidacy: basically nationalist-liberal.

11798

#### Credit Line Extended to Cuba

33420110e Rio de Janeiro O GLOBO in Portuguese  
26 May 88 p 24

[Text] Sao Paulo—The Brazilian Government has released a credit of \$20 million (3.2 billion cruzados) to Cuba for the importation of Brazilian products, which will practically sextuple national exports to that country in only 2 years since the resumption of commercial relations. Businessman Frederico Afalo of the Cominter trading company, which specializes in exports to Cuba, was the one who confirmed the release of the credit. He revealed also that Sharp alone will export 3,000 television sets. Until now, exports to Cuba have always been

effected with credits obtained by national exporters from private institutions. Since 1987, approval had been sought for an official credit of \$50 million (8 billion cruzados), which ended up being reduced to \$20 million (3.2 billion cruzados). "In 1987, goods valued at \$5 million (800 million cruzados) were exported to Cuba. Now, with the official credit, we will be able to reach a figure of \$30 million (4.8 billion cruzados)," he said. The Cuban Government is going to use the \$20 million to purchase mainly equipment for the sugar cane sector. This equipment permits the transformation of the bagasse into animal fodder. Cuba has already purchases Volkswagen automobiles, paper and cellulose, and heavy equipment for processing sugar cane.

8711/9274

### **Chaves Recommends Revision of Proalcohol Program; Losses**

#### **Alcohol, Gasoline Price Differential**

33420110a Rio de Janeiro O GLOBO in Portuguese  
17 Jun 88 p 23

[Text] The Proalcohol Program needs to be reevaluated in terms of the country's new energy scenario, limiting the expansion of alcohol production as well as the production of alcohol-fueled automobiles, and reducing the price differential of that fuel in relation to gasoline. That is the opinion of Mines and Energy Minister Aureliano Chaves, who pointed out that today's scenario is different from the time when the program was established in 1975, when the country was spending more than 50 percent of its export revenues on oil imports.

Now, according to the minister, the performance of alcohol-fueled vehicles has improved, PETROBRAS has increased national oil production, and oil prices on the world market are stable.

In Aureliano Chaves' opinion, in the reevaluation of the Proalcohol Program, the expansion of production should be regulated, reducing the incentive for the creation of new distilleries, and modifying the differential between alcohol and gasoline, which currently is 65 percent. The question of parity is being analyzed between his ministry and the Ministry of Finance and should be adopted at the time of the next readjustment of by-products. However, he refused to say what that differential would be.

#### **Huge Loss Predicted**

33420110a Rio de Janeiro O GLOBO in Portuguese  
17 Jun 88 p 23

[Text] With the current rate of the sale of alcohol-fueled cars, and as a result of the real increase of 20 percent to the producer granted last 20 May, the predicted deficit for the alcohol account this year is \$740 million (130.98 billion cruzados). That figure comes from an unofficial internal study made by various PETROBRAS experts, concerned about the company's losses from the sale of

alcohol which, according to that analysis, may make the country dependent on the importation of large amounts of diesel oil and LPG (bottled gas).

The study criticizes the government's decision to include alcohol in the overall list of by-products in calculating their prices: Passing the cost of alcohol on to diesel "means a complete reversal of the policy of distribution of income. From now on we will have mass transit subsidizing individual transport," the study observed.

The deficit caused by the last readjustment to the producer was partly passed on to society through the real increase of the prices of by-products last 20 May, and partly to PETROBRAS. According to the technical analysis, that passing of funds to the producers "is equivalent to \$515 million (91.1 billion cruzados) per year." The deficits of the alcohol account corrected since 1981 amounted to 75.7 billion cruzados as of 30 April of this year. According to the study, maintaining the growth of Proalcohol reduced the generation of funds for PETROBRAS.

According to the study, Proalcohol needs to become self-supporting, "without generating an imbalance of the country's oil refining financial and physical system." The solution indicated by the experts includes three points: modify the profile of the sales of vehicles to a minimum of 50 percent of gasoline-fueled cars; modify the price relationship of vehicles and fuels for the owners of gasoline-fueled and alcohol-fueled cars; and terminate the compulsory loan to cover the deficit in the alcohol account.

8711/9274

### **PETROBRAS To Purchase 125,000 Barrels Daily From Saudi Arabia**

33420118c Sao Paulo GAZETA MERCANTIL  
in Portuguese 18-20 Jun 88 p 19

[Text] PETROBRAS signed a 3-month contract for the purchase of a minimum of 125,000 barrels of oil per day from Saudi Arabia under a system of flexible prices linked to a world oil market basket.

According to the agreement, which covers the period 1 June to the end of August, the price will be linked to the spot market quotations of the Brent, Alaskan North Slope, Forcados, and two other types of oil from the Persian Gulf, perhaps Oman and Dubai.

The contract is being viewed as an indication of increased flexibility in the policy of Saudi oil contracts. The market basket value is stipulated on the basis of an average of the spot prices of five types of oil. The averages are calculated on the basis of the spot prices of each one 10 days after the date of the shipment bill of

loading. The averages are added and then divided by 5; a constant, the index of which was not revealed, is subtracted from this total; and the price of a barrel is thus obtained.

Normally, the prices of Saudi oil are linked to those of the Alaskan North Slope for delivery to the United States; to Brent for delivery to Europe; and to Oman and Dubai for delivery in the Middle East.

Consequently, it is evident that for Saudi Arabia, Brazil is not included in any of the areas that already have established prices according to the current rules.

According to AP/Dow Jones, PETROBRAS will have the option to purchase more than 125,000 barrels per day, although sources say that for larger amounts the company will require better prices.

The contract flexibility is also being viewed as PETROBRAS' right to sell or exchange part of the quantity of oil it purchases. Another important point in this type of agreement is that Brazil's domestic oil needs tend to fluctuate from month to month. Thus, Brazil will also be able to fulfill "political obligations" to purchase oil from a number of countries including Mexico, Venezuela, Angola, and Nigeria, and continue arrangements with Iran and Iraq for the supply of oil, which it purchases a minimum from the Saudis. According to the contract, PETROBRAS will notify Saudi Arabia monthly about the quantity it needs for resale. The contract will be renegotiated each quarter, but it is expected that the Brazilian state company will sign another contract having a 6-month term at lower prices, although it is known that Saudi Arabia does not wish to promote larger discounts than the current ones.

08711/09599

#### **New PETROBRAS President Supports Ideas of Predecessor**

*33420110d Sao Paulo O ESTADO DE SAO PAULO  
in Portuguese 23 Jun 88 p 24*

[Text] Rio—In his first interview as interim president of PETROBRAS, Engineer Armando Guedes Coelho said he was "in tune with the ideas of former president Ozires Silva," dismissed by order of President Jose Sarney for having rebelled against the freeze of the URP for the company's employees and the excessive interference of the federal government in the company's activities.

"Our obligation is to tell our superiors what must be done. But if for other reasons the government believes otherwise, then PETROBRAS must obey," declared Guedes Coelho in the interview granted in his industrial director's office. He reiterated that the company's positions with regard to the problems of personnel and the National Alcohol Program "are consistent with the interests of the country" and do not represent the ideas of a single person but of a corporation. In his view, Ozires

Silva was not dismissed for defending those positions, because the government accepted them, but for other reasons of which he has no knowledge. Justifying the positions of the former president, Guedes Coelho also emphasized that PETROBRAS executives are characterized precisely by assuming positions contrary to those of a "yes-man," that is, one who agrees with everything that is presented without much discussion.

The interim president of PETROBRAS also expressed his support for the proposal for a "management contract" submitted by former president Ozires Silva to Mines and Energy Minister Aureliano Chaves. According to him, it is a model inspired by the French state enterprises, intended to establish a mode of operation of those companies vis-a-vis the government, reducing state interference. The "management contract" would establish the objectives to be attained by PETROBRAS according to the funds to be approved by the government and the latter would garner the company's results, permitting it the autonomy to contract personnel and establish salaries.

Like former president Ozires Silva, Guedes complained that PETROBRAS will not be able to achieve the objective of self-sufficiency in oil production because of meager investments, limited this year to \$2.2 billion, when the company had sought \$4.5 billion. He mentioned the programs for the production of oil from the Northeast Pole of the Campos Basin and the Urucu Basin in Amazonia as the ones that will be most affected by the reduction of investments. PETROBRAS has already invested \$1.2 billion in the Northeast Pole of the Campos Basin the oil wells of which would produce up to 100,000 barrels of oil per day, but thus far it does not have the authorization to contract the personnel necessary to operate the production platforms. A similar situation could occur in the Urucu River region, where production should begin in the latter half of the year. To make up the investment shortfall, Guedes hopes to obtain foreign financing of approximately \$700 million from the World Bank and Japanese private banks to establish the production projects of the Marlim (50,000 barrels/day) and Enchova-Oeste (80,000 barrels/day) fields, both in the Campos Basin.

Like former president Ozires Silva, Guedes Coelho supports revision of the National Alcohol Program (PROALCOHOL) in such a way as to reduce the price differential between alcohol and gasoline, and he also favors increasing the production of gasoline-fueled cars.

8711/9274

#### **Pires Confirms French Helicopter Purchase**

*33420110b Sao Paulo O ESTADO DE SAO PAULO  
in Portuguese 23 Jun 88 p 7*

[Text] Paris—Brazil is going to pay \$52 million for a consignment of 52 French helicopters. The report was confirmed yesterday by Army Minister Gen Leonidas

Pires Goncalves, who passed through Paris on his return from China where he headed a Brazilian mission that established contacts with that country's military industry. According to Leonidas, the final details for the purchase of the helicopters have already been agreed upon with the French authorities.

The minister stressed that the total cost of the purchase will be financed with a grace period of 2 years and payment in 8 years. In exchange, France is going to purchase Brazilian Tucano planes built by the Brazilian Aeronautics Company (EMBRAER). The helicopters are to be delivered beginning in 1991 because, Leonidas observed, "in that sector, nobody has the merchandise in stock."

According to the minister, the balance sheet of the Brazilian mission's trip to China was the "green light" for future close collaboration with Brazil, especially in the construction of missiles, a sector of the weapons industry in which the Chinese have shown "great development." In that connection, Leonidas initiated contacts with the most important Chinese authorities after having toured many of the factories of Norinco, the counterpart in China of the Brazilian Ordnance Industry (IMBEL).

Leonidas, who left for Brazil yesterday, is convinced that the two countries will also be able to develop important cooperation in other sectors of the military industry—that of explosives and cannons, for example. He declared that the mission to China was "exploratory" and will be followed by others comprised of people with specific knowledge of the area.

8711/9274

#### **Industries' Ability To Compete in World Market Assessed**

33420123 Sao Paulo EXAME in Portuguese  
29 Jun 88 pp 28-32

[Text] "Brazilian industry is not lively enough to meet the expectation of the consumers."

The absence of competition limits industrial progress and is evident in every step of the production process."

"Quality and technology are attributes of items produced by a select group of industries—precisely those which are oriented toward the foreign market."

"The Brazilian labor force, although untrained, has a moderate weight in the composition of costs of the companies and continues to function as an enticement for foreign capital."

Objective and concise, faithful to the oriental style, it is not by chance that these severe and caustic assessments of the current status of Brazilian industry were compiled by one of the world's largest industrial lending institutions: the Long-Term Credit Bank of Japan [LTCB], a

private bank which was born as a state institution and which is at the source of the great Japanese conglomerates. The LTCB, as it is better known, came to Brazil as an advance team for what could become the biggest wave of foreign investment in Brazil since the invasion of American capital in the 1960's and 1970's. With more than \$80 billion in liquid reserves, which makes it the world's largest saver, Japan today is practically the only country with a loaded needle to inject big money in faltering economies. Brazil is a candidate—and wants to latch on to at least a little piece of this money within this year.

Three LTCB technicians were here last year to analyze the economy—in a project associated with the Institute of Economic and Social Planning and the Secretariat of Planning—and to detect business opportunities in this country. According to their evaluation, the field is wide open for the Japanese. The foreign companies based here are those which offer the most competition (but nothing to be alarmed at), the nation's private companies are technologically behind and the domestic market is an out-and-out seller's market. Thus, a Japanese company could land on Brazilian territory and make hay. Of the various sectors that were analyzed, the automotive industry received the most acid—even sarcastic—comments. However, the diagnosis of the textile industry was something of a surprise. The sector is admittedly in need of industrial modernization, but is seen by the Japanese as in a position to face up to the international market.

What stands out as the most important statement in the document is that, without a massive program of investment in technology and renovation of the industrial park, Brazil will rapidly move closer to Africa than to Europe—or to Southeast Asia. The BNDES [National Economic and Social Development Bank] had already reached the same conclusion, now reinforced by the recommendations of the Japanese technicians—that the conditions be created for a new industrial leap forward. As a basic condition, the study suggests creating incentives for projects that further the competitiveness of the nation's industry, by loosening the fetters that restrain the free market process. "In Brazil, investments in innovation are dominated by the exporting industries," the document states. "Everything indicates that the market conditions are inferior to those of other recently industrialized countries, such as South Korea and Formosa, with which any comparison reveals significant discrepancies with regard to technology and productivity."

#### **Question of Millimeters**

These discrepancies stand out clearly in a comparative evaluation of Brazil, South Korea and Formosa, conducted by the LTCB in the sectors of computers, automobiles, semiconductors and electronic consumer products. The differences also appear when one looks, with an engineer's eyes, at one of the preferred status symbols



of Brazilians: the automobile. "The Brazilian automobile industry produces cars with sheet metal that is 0.9 mm thick," notes the study, "whereas the Japanese use 0.6-mm sheet metal and the Koreans use between 0.7-mm and 0.8-mm sheet metal." The difference, apparently insignificant, has an effect on the pocketbook of the car owner and on the reputation of the product abroad. Brazilian automobiles are heavier and thus use more fuel. "Moreover," note the Japanese, "the heavier sheet metal places a limitation on the possibilities with regard to design and style."

If the domestic market overlooks this type of "detail," the same is not true in the discriminating international arena, where they—the Japanese—reign with astonishing vigor. In their view, two or three imperceptible millimeters compromise one of the keystones of the structure on which the competitiveness of a product rests: quality. Incidentally, this is a trump card which the Japanese bank study found among the few Brazilian companies which invest generously in research and development of new products and manufacturing processes.

"There are specific industries which employ advanced technology and compete effectively in the world market," states the LTCB evaluation. Outstanding members of this select group include Metal Leve and Cofap, the country's two major manufacturers of automotive parts; Romi, of the machine tool sector; and EMBRAER [Brazilian Aeronautics Company], the state company which builds planes.

Visiting the installations of Metal Leve and Cofap, for example, the Japanese technicians saw that these companies have achieved an international standard for their products and have applied it from start to finish in the production process—from the selection of raw materials to the final quality control, including a constant updating of the machinery. In automation alone, Metal Leve invests \$20 million a year. For its part, EMBRAER relies on the efficiency of at least 30 machines with modern numerical commands, most of which were purchased in the United States, the study notes.

#### Visual Inspections

Poking into every nook and corner of the industries, however, the Japanese bank experts concluded that most of the nation's private industries use production equipment which is simple in design and easy to operate, some of which has been in use for more than 30 years. This may be at the heart of a vicious circle which compromises the ability of industry to come up with the design changes, quality and efficiency demanded by the consumer market and which prevents progress. The reasoning of the Japanese is provocative. They note that the Brazilian market has been protected from competition, which is a mistake, since, although it allays industry's fears, on the other hand, it lulls it into complacency. "The sharper the competition, the greater incentive for

the competitors to raise their standards," the study says. "In Brazil, the consumer market is much less demanding than that of the industrialized countries."

In the automotive parts industry, for example, the Japanese were dismayed to learn that some phases of inspection—for example, of piston rings—are still conducted visually, that is, with the naked eye. Even worse, they found that industrial automation is still in an embryonic stage in this country, which they attribute in part to what they call the "attractive" costs of manpower. These costs are going down, as the Japanese observed: in 1981, a worker in the electric-electronics sector earned \$2.07 an hour, almost double the average Korean wage at the time, of \$1.16. By 1985, the study notes, the same Brazilian worker was earning \$1.49 per hour and the Korean wage had risen to \$1.38. In the same period, the average American wage had risen from \$10.33 to \$12.89 per hour and the Japanese wage rose from \$5.62 to \$6.04.

Manpower, incidentally, is Brazil's "strong point"—from the viewpoint of the foreign investor, naturally. Breaking down production costs, the Japanese bank study rates wages as a "satisfactory" item, unlike parts, components and materials. The LTCB technicians were surprised at the excessively high cost of such items when the domestic market is capable of meeting 90 percent of the needs of industry. The Japanese pointed to the example of copper derivatives, for which the Brazilian prices are from 70 to 100 percent higher than the average price on the international market.

It is not only the cost of industrial raw materials which could be less burdensome. Components are also more expensive than they should be. Here, the study notes coldly that in what is essentially a seller's market, like the Brazilian market, the buyer never has a chance. "Since the number of components manufacturers is limited, the industries are apparently reluctant to absorb any increase in the cost of production—they immediately pass this increase on to the buyer," the study notes.

#### Islands of Development

The Japanese see this attitude as typical of monopolies and warn of the consequences; industries which go down this path never make an effort to modernize production, to improve quality or to innovate. They move in the opposite direction from that prevailing in the industrialized countries. Such industries never move beyond national borders. The Japanese note the experience of the aeronautics industry, citing EMBRAER, which competes effectively on the international market, demonstrating that the development of a technological base in a specific sector is indispensable to the conquest of a foreign market.

In fact, the LTCB found real "islands of development" in Brazil's industrial park, precisely equal to those which they encountered at the social level. One of these islands

is formed by the multinationals; despite all the restrictions on imports, the Japanese credit this group of companies with having introduced sophisticated equipment and advanced production technologies, responsible for speeding up some phases of the manufacturing process. In the General Motors plant, for example, the Japanese saw robots at work painting and welding automobiles. At Springer Nacional de Amazonas, they viewed the electronic assembly of components for TV and sound equipment. "In the area of engineering, however, these companies are still highly dependent on their parent companies," the study notes. In other words, designs for really new products do not usually come off the drawing boards of the multinationals.

The private Brazilian companies which are members of the limited group of international exporters constitute another island of development. According to the study, they have taken the conventional path. First, they went abroad to purchase the technology. Today, they only look for technical cooperation with foreign companies. Metal Leve, Cofap, Romi and Irmaos Semeraro (also in the machine tool sector) followed this path, seeking technology in the United States, the FRG, Italy and Japan. A similar strategy was adopted by some companies in the informatics industry—such as Racimec, Microlab, Sid and Cobra—and by manufacturers of electronic consumer products, such as the CEE, which looked to the United States, England and South Korea during the first phase of technological development.

The study observes that the state companies have managed to advance more rapidly in the area of industrial automation and, in general, they employ more professionals in research and development than the private companies do. For example, EMBRAER and Cobra employ 2,000 and 400 research technicians, respectively. "Even so, the largest investments are made by the private sector, notably Metal Leve, which turns back 2.4 percent of all sales revenues into research, a rate three times as high as the industry average," the study comments.

According to the Japanese, some of the innovations already absorbed by the nation's industry came out of the research centers of state companies, such as TELEBRAS [Brazilian Telecommunications, Inc] and ELETRONBRAS [Brazilian Power Companies, Inc], which have played an outstanding role in transferring high technology to the private sector, through joint development programs—many of them with the participation of universities.

#### **Not in the Manual**

Companies constituting the so-called islands of development also include those most actively engaged in improving operational efficiency. The LTCB study noticed, however, that in Brazil this goal is hindered by the shortage of trained manpower. "When a piece of sophisticated industrial equipment breaks down, the

operators and engineers do not know how to solve the problem unless it is covered in the operating manual," mocks the study. "So the machine remains idle, because the concept of continuous maintenance is lacking and because of the uneven quality of the components produced in this country." The Japanese noted that, with regard to imported equipment, a solution is often "improvised" to put the machinery back in operation; particularly because of the bureaucratic or legal hassles involved in importing parts and components, the workers simply turn to the domestic market for a replacement part similar to the original imported one.

The study treats the question of training as the decisive factor in competitiveness. And here, the technicians were surprised to find that, even in industries equipped with state-of-the-art machinery, productivity is not always commensurate with the investment. The reason is simple. There is a shortage of engineers and skilled operators in Brazil, which is why some companies maintain veritable training schools within their production units. Cofap is one of these: With 12,000 employees, 20 percent of whom are estimated by the LTCB researchers to be illiterate, the company is not only providing basic training, but is also teaching reading and writing. Another company mentioned by the Japanese is Romi, which established an electronics school that currently has 80 students enrolled in a 4-year course. (By 1985, the school had graduated 145 students.)

However, the Japanese see Romi as an exception to the rule. "In general, the multinational companies are making a greater effort than the national companies to educate and train their employees," observe the Japanese. These companies not only offer in-house training courses but often bring in technicians from abroad and "sponsor" Brazilian internships in the parent company. It should be noted that the multinationals are also in the lead with regard to wages. The document cites another study, obtained from the Brazilian-German Chamber of Commerce, according to which, in December 1986, the average wage at Mercedes-Benz do Brasil was 7.5 times the minimum wage, whereas, in Sao Paulo's industry as a whole, the average wage was 5.7 times the minimum wage.

#### **Moment of Decision**

Reading between the lines, the study conducted by the LTCB technicians leads to the same conclusion that has been taking shape among the BNDES bureaucracy, academicians and some business sectors. Despite all the distortions, Brazil has reached a stage of industrialization that puts it on the verge of advancing to another level. Although it has a low per capita income, compared to the developed countries, Brazil has already built the eighth-ranking economy in the world, and industry accounts for 33 percent of the gross domestic product. "However," observe the Japanese, "Brazil is still a small exporter of manufactured products—in 19th place,



behind such small economies as Singapore, Hong Kong and Austria. It is in this imbalance between production and exportation that the opportunities may hide."

The contradiction does not frighten the Japanese—on the contrary it stimulates them to put Brazil on the program as a possible recipient of new investment—obviously, as long as no one decides to take seriously the piece of nonsense inserted into the draft of the new constitution, according to which the domestic market is an integral part of the "national patrimony". The Japanese know that Brazilian industry is not competitive with South Korea and Formosa, especially in terms of technology, costs and efficiency, but they also know that the time is ripe for a coming together, even a marriage of interests. Brazil is in a general process of transition. Japan is already experiencing a phase of structural changes, provoked by the rapid rise in the value of the yen after 1986, and is looking for new places in the world to set up its companies.

By coincidence, the Japanese Government is looking in the same direction. Recently, diplomat Clodoaldo Huguency Filho, coordinator of international affairs of the Secretariat of Planning, acted as spokesman for the Japanese Government in announcing that, once the agreement is signed with the International Monetary Fund, Brazil could obtain \$2 billion from the so-called Nakasone Fund, a program which borrows the surname of the former prime minister and under which \$50 billion is to be invested in Third World countries.

The LTCB study is not lacking in arguments justifying the intention to go beyond the \$4.8 billion that the Japanese have already invested here in more than 1,300 projects. The first of these arguments is the size of the domestic market. The study notes that the population of Brazil is growing much faster than that of Japan, South Korea and the United States. It is estimated that, by the year 2000, there will be 178 million Brazilians, as against 49 million Koreans, 129 million Japanese and 262 million Americans.

Other economic indicators adopted in the study show that Brazil is an attractive market, not only because of its size but also because of its consumer potential: whereas Japanese and Koreans cultivate the habit of saving, the Brazilians prefer to spend their money, at the very least because inflation fosters the idea that it is always more advantageous to buy today than to wait until tomorrow. Nor is there any lack of arguments to convince Brazilian industry of the suitability of a rapprochement with foreign capital. Especially at the technological level, the big boost which is intimated depends largely on close cooperation with the foreign industries. The [market] restrictions, the Japanese feel, tend to increase the distance which separates Brazil from the developed world. Having rebuilt a country in 3 decades, starting with a war-ravaged economy, the Japanese know there is no time to lose when you are talking about technology.

[Box, pp 28-29]

### Poor Bill of Health

The Japanese team compared production efficiency in four industrial sectors in Brazil, South Korea, and Formosa. For each of the four sectors (automobiles, electronic consumer items, computers, and semiconductors), various production factors were evaluated according to the following rating: excellent (\*\*\*\*), good (\*\*\*), satisfactory (\*\*), and unsatisfactory (\*).

#### Automobile Sector

- Design of passenger cars: Brazil received an unsatisfactory rating, whereas Formosa and South Korea were both rated good.
- Capacity to develop engines: All three countries were rated satisfactory.
- Introduction of electronic components: Brazil was again rated unsatisfactory. Formosa and South Korea were both rated good.
- Export prices: South Korea led, with four stars; Brazil and Formosa each received three stars.
- Fuel economy: Brazil received a satisfactory rating; Formosa and South Korea earned three stars.
- Thickness and quality of sheet metal: Brazil was rated unsatisfactory, South Korea was rated excellent and Formosa was rated good.
- Introduction of robots in welding phase: South Korea led, with four stars, followed by Formosa, with three stars. Brazil received a satisfactory rating.
- Introduction of robots in painting phase: Again, Brazil received a satisfactory rating, whereas South Korea and Formosa were both rated excellent.
- Wages: Here Brazil excelled, with four stars. South Korea and Formosa each earned two stars.

#### Electronic Consumer Products

- Automation of production lines: South Korea was rated excellent. Brazil and Formosa received good ratings.
- Automation of test phases: Brazil was rated satisfactory; the other countries each received three stars.
- Quality and safety standards: Brazil failed here, whereas South Korea and Formosa were both rated excellent.
- Manufacture of precision metal molds: Again, Brazil failed, and the other two countries were rated good.
- Ability to develop new models: Brazil received a satisfactory rating. South Korea and Formosa received four and three stars, respectively.

#### Computers

- Production of 16-bit personal computers: with three stars, Brazil was still surpassed by South Korea and Formosa, with four stars.
- Prices: Brazil was rated unsatisfactory, while the other two countries received excellent ratings.
- Production of peripherals: Brazil and South Korea

were rated good and Formosa was rated excellent.

- Development of software: Brazil and South Korea were each rated satisfactory; Formosa was again given four stars.
- Investment in research and development: With a three-star rating, Brazil was outstripped by South Korea and Formosa, with four stars.

#### Semiconductors

- Production of transistors: four stars for all three countries.
- Production of 256-kilobyte active memory chips: South Korea earned four stars, Formosa earned three and Brazil was rated unsatisfactory.
- Circuit design: Brazil received two stars and the other two countries were given a good rating.
- Fabrication of shields: Brazil failed here, with one star, while South Korea and Formosa were rated satisfactory.
- Production of equipment for the manufacture of semiconductors: All three countries struck out here.
- Investment in equipment: South Korea received four stars, Formosa three and Brazil two.
- Investment in research and development: Brazil received a satisfactory rating, but the other two countries were rated excellent.

[Box, p 29]

#### The Age of Industry

Industrial production is divided between modern and traditional sectors. Following is a breakdown of that division, expressed in the respective percentages of the gross industrial product in 1980, in six industrialized countries and eight developing countries. (The source is World Tables, Third Edition.)

#### Industrialized Countries

- FRG: traditional, 25.1 percent; modern, 74.9 percent
- Japan: traditional, 27.4 percent; modern, 72.6 percent
- United States: traditional, 29.4 percent; modern, 70.6 percent
- France: traditional, 29.8 percent; modern, 70.2 percent
- Italy: traditional, 29.9 percent; modern, 70.1 percent
- England: traditional, 31.8 percent; modern, 68.2 percent

#### Developing Countries

- Venezuela: traditional, 30.9 percent; modern, 69.1 percent (1979 data)
- Brazil: traditional, 34.5 percent; modern, 65.5 percent
- Mexico: traditional, 37.3 percent; modern, 62.7 percent
- India: traditional, 37.4 percent; modern, 62.6 percent (1978 data)
- South Korea: traditional, 42.2 percent; modern, 57.8 percent

- Uruguay: traditional, 51.6 percent; modern, 48.4 percent
- Nigeria: traditional, 52.7 percent; modern, 47.3 percent
- Indonesia: traditional, 55.6 percent; modern, 44.4 percent

[Box, p 30]

#### Bulletin of Competence

Only three sectors of Brazilian industry are effectively competitive on the international market: steel, textiles and airplane manufacture. The LTCB technicians conducted a detailed analysis of the entire industrial park, paying particular attention to 10 specific sectors. They arrived at a judgment that puts Brazil a fair distance from its competitors in the so-called group of recently industrialized countries—or NIC. The Japanese stressed the merits of such exceptional companies as Cofap, Metal Levi and Romi, but they also noted the weak points of the Brazilian product, warning industries about the consequences of their disregard of quality and safety standards. The automobiles “made in Brazil” made a particular impression on the Japanese bank team. “They are inferior, both with regard to fuel efficiency and finishing touches and they cost much more than their competitors.” The analysis considered the following aspects: production technology, quality, costs, production equipment, technological innovation, research and development. The parameters: Japan, South Korea and Formosa. The competitiveness of each sector analyzed is evaluated according to the following rating: excellent (\*\*\*\*), good (\*\*\*), satisfactory (\*\*) and unsatisfactory (\*).

#### Automobile Industry\*\*

- “Product performance has not improved, because of the oligopoly.”
- “Little progress in introducing robotics in assembly lines.”
- “Low domestic demand for the introduction of electronic systems and new materials.”
- “Restrictions on the informatics industry affect competitiveness.”

#### Automotive Parts Industry\*\*\*

- “Cofap, Metal Leve and the big multinationals have achieved international levels.”
- “The domestic market has no great interest in design, precision processing or modernization of the production equipment.”
- “Because of the lack of demand, the industry does not have the capacity to produce electronic components.”

#### Machine Tools\*\*\*

- “Romi, Watan, Bagel and Mannesman Demag are closest to international standards at all levels, except for prices.”
- “In the area of computerized controls, software and

precision processing, the country is several years behind Japan. The technological lag behind the industrialized countries will tend to increase if restrictions on the computer technology industry are maintained."

#### Electronic Consumer Products\*\*\*

- "The domestic quality and safety standards are below those required in the industrialized countries."
- "The pace of automation depends on the training of skilled workers and the importation of production equipment."

[Box, p 31]

#### Comments

Evaluating six Brazilian industries, the Japanese team had the following comments:

#### Aviation\*\*\*\*

- "Extremely competitive prices."
- "Design and development capability".
- "The industry is well suited to the production of small planes (such as the Brasilia) and training planes (such as the Tucano)."
- "Electronic control systems are imported from the United States."

#### Computers and Peripherals\*

- "The industry is 3 years behind the industrialized countries in the introduction of 16-bit personal computers. The price of personal computers is four or five times that of the industrialized countries."
- "The industry depends on imported machinery to produce the precision components for the peripherals."
- "The technological lag will continue to grow because of the restrictions imposed by the market reserve policy."

#### Foundries\*\*\*\*

- "Production costs come to between \$0.75 and \$1.00 per kg, which can be said to be the lowest in the world."
- "The large foundries have modern equipment; small companies offer only uneven quality."
- "Inadequate design capability."

#### Semiconductors\*

- "Integrated production systems for transistors and linear integrated circuits are ready to go on line."
- "Masks and other equipment used in the production of semiconductors are imported."
- "The industry uses 3-inch silicon cookies."
- "The technology could continue to lag further behind

that of the developed countries because of the restrictions placed on the sector."

#### Steel\*\*\*

- "The price of steel plate is exceptionally competitive."
- "Technological problems were observed in the production of laminates for the automobile industry and especially for steel products."
- "The progress in steel and foundry technology should lead to increased production and improved quality."

#### Textiles\*\*\*\*

- "The industry is strong in the production of sheets, towels and cotton lingerie."
- "The quality of the printing and of silk threads is surpassed only by Japan and Hong Kong. It surpasses that of Formosa and South Korea. However, the industry does not have the most favorable image."

[Box, p 32]

#### Who Pays Highest Wage?

A comparison of manpower costs in five sectors of industry in the United States, Brazil, Japan, South Korea and Formosa yielded the following picture. The figures cited represent the hourly wage in dollars in 1985:

- Electric-electronics sector: United States, \$12.98; Brazil, \$1.49; Japan, \$6.04; South Korea, \$1.38; Formosa, \$1.51
- Machine sector: United States, \$14.36; Brazil, \$2.00; Japan, \$7.72; South Korea, \$1.74; Formosa, \$1.75
- Textile sector: United States, \$7.28; Brazil, \$0.75; Japan, \$3.43; South Korea, \$0.87; Formosa, \$1.54
- Plastics Industry: United States, \$10.75; Brazil, \$1.08; Japan, \$5.92; South Korea, \$1.39; Formosa, \$1.70
- Rubber Industry: United States, \$14.54; Brazil, \$1.64; Japan, \$6.62; South Korea, \$1.15; Formosa, \$1.69

(Source: Bulletin of Labor Statistics, 1986; COSTEP-Mexico)

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**Mineral Export-Import Sector Surveyed**  
*33420121b Brasilia CORREIO BRAZILIENSE*  
*in Portuguese 27 Jun 88 p 5*

[Article by engineer and former federal deputy Paulo Nunes Leal]

[Text] Is Brazil an exporter or importer of minerals? Where would Brazil fit in according to the simplistic and anachronistic view that exporting minerals means being exploited and that, consequently, importing minerals means being the exploiter of other people's subsoil?

The main argument presented in support of national control of our subsoil has been "domination by the multinationals," which, like insatiable octopuses, are supposedly draining our mineral wealth and threatening our sovereignty.

Can it be that we are really a country that is allowing its mineral reserves to be exhausted and thereby jeopardizing its future and its sovereignty on orders from the multinationals, as is asserted by those laying claim to a monopoly on patriotism and wanting to "Albanianize" Brazil?

Let us look at the figures to see which minerals Brazil really exports and imports and thus debunk the untrue and tendentious statements being made in an attempt to conceal ideological principles behind a false defense of national interests.

**Balance of imports and exports of primary minerals** (in 1987, which differed little from 1986):

**Imports:** \$5,052,231,600.

**Exports:** \$1,849,794,600.

**Unfavorable balance:** \$3,202,437,000 (Table 1).

**Imports consisted of the following:**

1. Fuel minerals: \$4,517,600,000.
2. Metallic minerals: \$173,481,600.
3. Nonmetallic minerals: \$361,150,000.

**Exports consisted of the following:**

1. Fuel minerals: \$7,200,000.
2. Metallic minerals: \$1,713,999,600.
3. Nonmetallic minerals: \$128,595,000.

Disregarding fuel minerals (petroleum, coal, and gas), which are indispensable to Brazil and which cost us over \$4.5 billion in 1987 with practically no corresponding exports, we will consider only metallic and nonmetallic minerals.

**Metallic minerals:**

**Imports:** \$173,481,600.

**Exports:** \$1,713,999,600.

**Surplus:** \$1,540,518,000.

**Nonmetallic minerals:**

**Imports:** \$361,150,000.

**Exports:** \$128,595,000.

**Deficit:** \$232,555,000.

The metallic group would therefore be the one affected by the aforesaid "bleeding" of our minerals, since that is the only area in which we show a surplus.

But of that \$1.714 billion in exports of metallic minerals, iron ore accounts for \$1.6 billion, or 92 percent of the total.

Our known reserves are such that we could maintain the current level of iron ore exports while also meeting domestic demand for a period of over 300 years.

The international price is low because of oversupply, and we are staying competitive only because we have built up an adequate infrastructure of ports and transportation facilities that do not overly burden the final cost. Unfortunately, we have no way of controlling the international market, and to say that we are exporting at dirt-cheap prices changes nothing.

We are currently the largest exporter of iron ore, but even if we dropped out of the market, our share would immediately be supplied by others because iron ore exists in abundance all over the world.

But who exports iron ore?

The Rio Doce Valley Company [CVRD], which accounted for 56.1 percent of all iron ore production, exported 51.7 million metric tons in 1986—or 56 percent of the total exported.

While the other mining companies also exported quantities in proportion to their production in 1987, FER-TECO (the only completely foreign-owned firm among the 100 largest mining companies involved in iron) exported approximately 7.5 percent of its production—that is, 625,000 metric tons out of a total of 95 million.

So the ballyhooed "domination" by the multinationals does not exist in the case of iron ore.

The second-most exported metallic ore was bauxite (aluminum). Of the 7.3 million metric tons mined, 3.2 million were exported by the Rio do Norte Mining Company (MRN), 56 percent of whose capital is owned by nationals, the leader of the group being the CVRD with 46.0 percent.

The multinational with the largest interest in the MRN is Alcan, which owns 24 percent of its capital.

The rest of the production was processed in Brazil, which in 1987 produced 854,000 metric tons of aluminum and exported 468,000 metric tons, making us the fourth-largest exporter in the Western World.



Table 1: Brazilian Imports of Primary Minerals					
Item	1986		1987 (preliminary)		% of total
	Quantity	\$ FOB	Quantity	\$ FOB	
TOTAL	43,822,872	3,817,958,471	46,376,631	8,052,331,800	100.00
Metallic	411,108	126,936,632	614,588	173,481,800	3.43
Antimony (1)	818	858,920	340	430,100	0.01
Bauxite (2)	1,019	175,071	38	75,500	0.00
Chromite (3)	23,978	8,323,133	32,200	15,500,000	0.30
Copper (4)	261,304	88,184,358	350,000	115,000,000	2.27
Cromite (5)	10,736	1,115,149	18,900	1,850,000	0.04
Molybdenum (6)	2,483	10,114,900	3,150	13,350,000	0.30
Titanium (7)	18,000	584,550	12,000	600,000	0.01
Titanium (8)	2,813	999,873	3,250	1,300,000	0.03
Zinc (9)	76,853	18,997,589	88,000	23,000,000	0.46
Zirconium (10)	12,887	2,487,878	8,500	2,000,000	0.04
Others (11)	3,610	1,098,733	180	435,000	0.01
Nonmetallic	4,346,437	372,876,807	8,062,085	381,150,000	7.16
Asbestos (12)	3,867	2,895,309	3,700	2,900,000	0.06
Bentonite (13)	21,144	2,749,071	9,500	1,800,000	0.03
Diatomite (14)	1,380	404,088	1,400	450,000	0.01
Ensoite (15)	1,154,401	163,332,871	1,180,000	175,000,000	2.87
Fert. (16)	119,280	3,570,112	145,000	4,000,000	0.06
Fert. (17)	12,250	1,853,010	14,500	2,200,000	0.04
Fert. (18)	2,353,473	185,173,018	2,400,000	185,000,000	3.86
Fluorite (19)	1	8,981	17,500	1,100,000	0.02
Mag. (20)	1,213	1,003,154	485	775,000	0.02
Others (21)	737,452	11,240,803	1,230,000	18,000,000	0.37
Others (22)	32,218	6,730,430	50,000	9,500,000	0.19
Fuel	39,805,337	3,315,243,237	42,960,000	4,517,800,000	69.42
Carvão (22)	8,438,829	441,273,417	10,300,000	470,000,000	8.70
Gás Natural (23)	648,158	87,514,635	800,000	77,800,000	1.54
Petróleo (24)	29,717,248	2,786,455,180	32,000,000	3,950,000,000	78.18

Source: DNPM/DEM, CIEF.

Table 2: Brazilian Exports of Primary Minerals					
Item	1986		1987 (preliminary)		% of total
	Quantity	\$ FOB	Quantity	\$ FOB	
TOTAL	97,458,387	1,874,798,184	99,587,876	1,849,794,800	100.00
Metallic	96,721,408	1,784,941,815	98,801,245	1,713,979,800	92.06
Bauxite (2)	3,113,434	79,249,417	3,208,000	84,105,000	4.54
Beryl (25)	778	748,513	880	835,400	0.04
Columb. (26)	271	2,360,348	200	1,450,000	0.08
Ferro (27)	82,845,650	1,848,614,329	85,000,000	1,800,000,000	96.50
Lith. (28)	103	23,787	2,430	400,000	0.02
Manganese (29)	786,556	32,353,503	890,000	27,500,000	1.49
Tungsten (30)	137	547,707	—	—	—
Others (31)	9,483	986,103	15	8,900	0.00
Nonmetallic	803,365	87,452,839	842,350	98,575,000	5.33
Asbestos (12)	32,586	10,781,072	36,000	12,300,000	0.66
Bentonite (31)	213,897	20,429,886	210,000	20,600,000	1.11
Granite (32)	9,418	6,758,425	10,500	7,700,000	0.42
Granite (33)	185,117	22,026,581	230,000	28,000,000	1.51
Magnesite (20)	76,802	14,910,617	81,200	16,600,000	0.90
Mármora (34)	13,836	1,830,805	22,000	3,300,000	0.18
Mica (35)	1,882	138,085	1,800	145,000	0.01
Quartzite (36)	1,983	498,989	2,000	840,000	0.03
Quartz (37)	4,256	6,798,179	4,000	6,000,000	0.37
Sal Marinho (21)	37,788	2,860,281	30,000	2,500,000	0.14
Talc (38)	3,218	418,679	3,550	780,000	0.04
Others (39)	24,195	1,869,540	11,500	1,150,000	0.06
Gems/diamonds	6,550	17,649,837	6,350	30,000,000	1.62
Diamonds (40)	6,550	2,841,373	6,350	8,000,000	0.43
Gems (40)	6,550	14,808,464	6,350	22,000,000	1.19
Fuel	136,074	4,755,473	37,830	7,200,000	0.39
Carvão (22)	111,138	1,588,438	830	200,000	0.01
Gás Natural (23)	14,838	3,167,034	37,000	7,000,000	0.38

Source: DNPM/DEM, CACEX. \*Exports by Rio do Norte Mining Co.

Key: 1. Antimony; 2. Bauxite; 3. Lead; 4. Copper; 5. Chromite;  
6. Molybdenum; 7. Titanium (ilmenite); 8. Titanium (rutile); 9. Zinc;  
10. Zirconium; 11. Other; 12. Asbestos; 13. Bentonite; 14. Diatomite;  
15. Sulfur; 16. Natural phosphate fertilizer; 17. Nitrogenous  
fertilizer; 18. Potash fertilizer; 19. Fluorite; 20. Magnesite; 21. Sea  
salt; 22. Coal; 23. Natural gas; 24. Petroleum; 25. Beryl;  
26. Columbium-tantalum; 27. Iron; 28. Lithium (petalite); 29. Manganese;  
30. Tungsten; 31. Kaolin; 32. Graphite; 33. Granite; 34. Marble;  
35. Mica; 36. Quartzite; 37. Quartz; 38. Talc; 39. Diamonds; 40. Gems.



Table 3: Source of capital as a Percentage of Total Area Covered by Applications, Authorizations, and Concessions

Source of capital	Area covered by:		
	Exploration applications	Exploration permits	Operating concessions
Foreign	14,34%	25,72%	28,55%
Private domestic	68,84%	54,91%	51,17%
Government	16,82%	19,37%	20,28%
Total	100,00%	100,00%	100,00%

[see the caption below]

Table 4: Number of Applications, Authorizations, and Concessions as a Percentage of the Total (65,188)

Source of capital	Applications (1)	Permits (2)	Concessions (3)	Grand total
	(4)	(4)	(4)	
Foreign	33,22 6,72	22,78 10,33	11,48 1,30	17,36
Private domestic	72,82 31,55	60,72 27,54	82,98 9,39	68,48
Government	13,96 8,05	16,50 7,48	5,53 0,62	- 14,15
Totals	100,00 43,33	100,00 45,35	100,00 11,32	100,00%

Source: Data collected by technicians Geraldo Cardoso dos Santos and Sonia Maria G.A. Avelar, PROGEO, DNPM, CAEEB.

Key: 1. % of total number of exploration applications (add down); 2. % of total exploration permits (add down); 3. % of total number of operating concessions (add down); 4. % of grand total (add across).

Table 3 shows the situation of private domestic capital (individuals and legal entities involved in the exploration and exploitation of subsoil mineral resources). It clearly shows that individual firms with private capital and individuals are supreme in these fields, with 74 percent of the area being occupied by private domestic capital.

Excluding those two products—iron and aluminum (bauxite)—large reserves of which exist in our country, exports of all other primary minerals, including metallic and nonmetallic, added up to \$165.5 million, an amount that does not even cover our imports of potash fertilizer, which totaled \$185 million.

The ores that we export in sizable quantities are those which we have large reserves of and which do not affect our sovereignty or security.

On the other hand, what we import is of vital importance, since in addition to fuel minerals—petroleum, coal, and gas—we import others that we must have for our industry and development: copper, zinc, lead, sulfur, and potash fertilizer.

It is our dependence on foreign subsoil that should worry us, not that which is produced here by companies with foreign capital.

Even if one or two of our minerals were to be exported in quantities considered excessive, the only remedy required would be action by CACEX [Foreign Trade Department] to suspend the issuing of export permits, as is currently the case with cassiterite. No special law is needed.

As can be seen, Brazilian reality as presented in the table of our exports and imports of ores confirms the contrast depicted in the article by the director of the DNPM [National Department of Mineral Production] entitled "Giant Country—Mineral Pygmy."

Only ideological motivation could distort the facts to such an extent by appealing to the noble nationalist sentiment of Brazilians with long-outdated clichés embroidered with electioneering demagoguery and disguised as "defense of the sovereignty and economic development" of Brazil.

If we also look at official data from the DNPM showing that only 14.34 percent of the pending applications for exploration permits, 25.72 percent of the exploration permits granted, and 28.55 percent of the operating concessions involve firms with foreign capital, with all the others being Brazilian (domestically owned firms and state-owned enterprises), we conclude that there is no danger in the foreseeable future of foreign capital's gaining supremacy in our mineral exploitation (Table 2).

The fact that the percentage of exploration permits involving foreign capital (25.72 percent) is smaller than the percentage of operating concessions (28.55 percent) and that the percentage of exploration applications is even smaller (14.34 percent) indicates that at least in the medium term, the superiority of domestic capital over foreign capital in the field of mining should increase with no need for any legal restrictions.

It is also alleged that despite the free access that has existed for over 20 years, foreign capital has done little in the way of exploration and actual mining, being interested only in "blocking" extensive areas by applying for exploration rights and exploration permits without actually exploring.

But during the period in question, there has also been no restriction preventing private or public domestic capital—which has much higher percentages in its favor for "blocking" areas with exploration applications and the permits it receives—from investing in exploration and mining operations.

If in fact there have been fewer discoveries than desired in the areas of exploration and mining, the reason must be that the conditions offered to the mining industry are not as advantageous as one is led to believe by the heralds crying for "nationalization" of the ore prospecting sector when they ballyhoo the "greediness" of the multinationals to control our subsoil.

Those warning us of the danger of that "control" have never mentioned that only 2.7 percent of the foreign capital invested in Brazil—including minority holdings—is invested in mining, whereas 75 percent is invested in the processing industry and 19 percent in the service sector.

All capital, regardless of its source, moves by choice into areas presenting the least risk. And the small amount of foreign capital that has ventured into the high-risk area—and that includes mining—is that which we would like to do without.

What is at stake in this campaign to restrict foreign capital in our mining industry is not Brazil's national sovereignty and economic interest, but political ideology and, in some cases, electoral interests.

11798

#### **Record Grain Harvest Forecast**

33420110c Rio de Janeiro O GLOBO in Portuguese  
21 Jun 88 p 17

[Text] Despite being slightly lower than April, the harvest estimate made by the Brazilian Institute of Geography and Statistics (IBGE) in May still adheres to the record forecast for 1988, with a total of 66.2 million tons of grain, compared to 64.6 million tons last year. Rice and beans are outstanding in both production and yield per hectare. The harvest of hulled rice should reach 11.97 million tons this year, an increase of 14.8 percent compared to 1987, when 10.42 million tons were harvested. The yield per hectare planted should show an increase of 14.7 percent. The bean harvest, which was slightly over 1 million tons in 1987, should show an increase of 74.2 percent in 1988 with a harvest of 1.82 million tons and a 44.5 percent increase in average yield per hectare planted.

8711/9274

**National Rehabilitation Plan Evaluated for Putumayo Department**

33480187 Bogota EL ESPECTADOR in Spanish  
13 Jul 88 pp 1A, 10A

[Article by Luzdary Ayala Villamil]

[Text] The jungle intendancy of Putumayo is a study in paradox. Though blessed with natural resources (petroleum, gold, and other minerals), it is underdeveloped because it is unable to exploit this wealth.

The situation of neglect in which its inhabitants live may be the reason for the predominance of white gold, which in this case is not cotton but coca. The coca economy—with all the risks it entails—is more manageable than the formal economy in these remote territories. Thus, more than 90 percent of the population lives off this activity, even though it is the main source of insecurity.

The royalties from the black gold have not translated into progress, and the yellow gold has remained a miniscule source of income for small-scale gold miners.

The capital of the region, Mocoa, founded more than 400 years ago, has never had a water processor despite the presence of rivers, streams, springs, and all kinds of water resources.

There is a refinery in Orito, but the population complains that it has to pay the highest gasoline prices in the country: a gallon costs between 200 and 250 pesos.

Parallel to the progressive substitution of coca for the banana and corn crops, the peaceable atmosphere of the past has been exchanged for one of daily murders.

The communities, plagued by the lack of production alternatives, are destroying the ecosystems. Every day they cut down more and more trees as if they wanted to denude the jungle entirely, and they poison the rivers to harvest fish. So much poison has been poured into the main streams that there is a shortage of fish and it is dangerous to eat the fish served in restaurants. "We are turning into a desert," commented a sociologist who is passing through the region. He is worried about the indiscriminate cutting of trees without any replanting at all.

The land, given its organic poverty, requires a special type of crop, and in this area the prospects are limited: chontaduro palms, hinche (a very fine oil), guarango (one of the largest legumes), breadfruit, citrus, cardamom, caimarona grapes, arazu (Brazilian guayaba), and borojo (an exotic fruit indigenous to the Choco region).

The peasants are caught defenseless between the guerrillas and the Army. The former often use them as runners to carry supplies. The Armed Forces pressure them, and sometimes accuse them of collaborating with the guerrillas.

Under these circumstances, the National Rehabilitation Plan (PNR), coordinated by Alvaro Rodriguez, who is very familiar with the area's problems, has tried to penetrate Putumayo. It is extending benefits to the seven municipalities in the intendancy in order to improve the standard of living of both settlers and Indians, who must spend a week or more traveling jungle roads or fording rivers with bags of sugar loaf or rice on their backs.

**Critical Period**

The Plan, which allocated the sum of 2.172 billion pesos for 1987, is going through a critical period in terms of its reputation. The communities, which at first were filled with grand illusions and then gave in to frustration, have begun to receive the first outlays for special projects. But they are certain that the PNR promised more than it can deliver.

This is what the president of the National Association of Rural Land Users (ANUC), Marco Aurelio Calderon, says: "I still won't venture to say anything, because we haven't yet seen how the plan will develop."

Father Jorge Gomez, of Mocoa, does not look favorably on the PNR: "It was another white elephant for us, and another great opportunity to reinforce the idea that the government always comes up with beautiful plans, but nothing concrete."

Others who do not know about these initial contributions say: "When Dr Ossa came here, they began to talk and talk, but they haven't done anything." The most pessimistic assert: "That PNR is nothing but a pack of lies."

**Two Historic Projects**

There is one very important project for Putumayo that is "moving along" with the PNR, although the population still does not believe it after 40 years of promises. It is the Pitalito-Mocoa Road, which will open up the region and connect it with the interior of the country. Everyone is waiting for this to happen, including the guerrillas, who also have settlements in the jungle. Dona Luz Angela Florez, a civic leader, believes that the project is finally being carried out thanks to the community's constant demands and the latest movement promoted by the women of the region.

Another historic project is the electrical micro-exchange, which the PNR is participating in through the Colombian Electrical Power Institute (ICEL). The ICEL has not yet awarded the contract for construction because the IDB has not approved the reformulation of the project, which is aimed at expanding installed capacity.

According to ICEL Manager Diego Otero, the government is very interested in the execution of the project. As soon as this process is completed, the necessary arrangements will be made with the Ministry of Finance and

National Planning to resume work. The pact, signed by the intendancy and the ICEL, was for 22 billion pesos. The project is expected to generate 11,000 kilowatts in the first phase.

Meanwhile, Mocoa continues to suffer from deficient electricity service from 1800 to 2300 hours. Sometimes the electricity is cut off due to failures at the old diesel plant. That is why good raffle operators here are less likely to raffle off a color television set or a fancy refrigerator than a generator.

In towns such as Puerto Asis, La Hormiga, Orito, and Puerto Leguizamo, residents know the PNR exists but they feel it has not done any good. Puerto Asis, one of the municipalities that has earned the most oil royalties, has no access roads, water services, electricity, or sewerage, so PNR action is awaited on countless projects.

The Agricultural-Livestock Marketing Institute (IDEMA) has not fulfilled its role in Putumayo because in the places where it has offices it buys goods in installments, and the poor communities do not benefit from that.

#### Political Chicanery

According to Don Jorge Julio Guzman, a peasant who came to the jungle 13 years ago and founded a town that now bears his name (Puerto Guzman), political chicanery has been the principal obstacle to any plan attempted in the Putumayo, and the PNR is no exception.

And there must be a lot of pork barrel politics in the area, because when the Putumaya residents talk about the prevailing political graft they don't use the term "ser-rucho" [saw] that everyone else in the country uses; they say "motosierras" [chainsaw].

More than one resident recalls that bridges and roads in Putumayo have been financed five or more times but never completed, because if they were, that would kill the "goose that lays the golden eggs" for politicians. A peasant who loves the jungle with the same devotion with which he grows cardamom says that, using as an excuse the hardships that Putumayo residents must endure, "the politicians ask for more and more money, and it hardly ever arrives."

Juan Acevedo came to Bota Cauca 10 years ago, and since then he has tried out at least 300 species for cultivation in this area. Today he is very familiar with the land in Putumayo, and he is horrified to see how there are fewer and fewer trees each day.

In addition to this problem, says Susana Viveros, director of the Autonomous Corporation of Putumayo, there is the sale of animal species such as parrots, anteaters, and the few wild cats that are left in the jungle.

The other decentralized entities that are working with the PNR complain of the lack of autonomy to carry out projects. The Colombian Institute of Agrarian Reform (INCORA) depends on Narino and Caqueta; the Agrarian Fund depends on Caqueta; the Territorial Credit Institute (ICT) must take orders from Caqueta and Narino; the Colombian Agricultural-Livestock Institute (ICA), from Narino; the National Enterprise for Telecommunications (TELECOM), from Valle del Cauca; and the Agustin Codazzi Geographic Institute (IGAC), from Narino.

The INCORA, which a few months ago obtained one of the largest holdings for the Indians of Bajo Putumayo, still has many deeds to adjudicate among peasants, and much land to recover for the natives of Alto Putumayo. The regional director, Carlos Davila Caicedo, was kidnapped about 20 days ago by a guerrilla group. He has complained of the lack of personnel to cover the region, and believes that the PNR's strong point in the area has been the granting of small loans. A total of 115 million pesos has been allocated for loans to the Indian population, and some 50 million pesos for loans to the peasants of Puerto Asis, La Hormiga, and the Guamuez Valley in order to strengthen "pancoger" programs [to allocate small plots of land for subsistence farming]. Granting deeds to lands, however, has been delayed by the intervention of the Agrarian Prosecutor's Office, which has put the brakes on the process, say some settlers. Efforts are being made to keep the length of the process to 6 months, compared to the year or year and a half it takes now.

The livestock adviser of the Agrarian Fund, Hernando Rodriguez, stated that the PNR is working with his organization on the loan guarantee portion of the program. In other words, the plan is backing up small farmers so that they can have loans approved. The Fund has 55 million pesos that has not yet been allocated due to red tape in other organizations. It is currently giving out 65 million pesos for rural aqueducts and sewers.

#### Rural Roads

The community complains that Local Roads workers would rather wait for the weekends so that the community will have to pay them up to 5,000 pesos each to participate in the "mingas" or feasts, which are joint efforts by officials and the community.

This agency, which is run by Jesus Henriquez, is closely tied to the action of the PNR. It sees a great advantage in the plan in that the community is organized and goes directly to the PNR to ask for a project, rather than whatever politician is in office.

Through the PNR, Local Roads is investing 360 million pesos in different roads throughout the area. Nine contracts have been awarded for 12 highways, including



construction, maintenance, and improvements on rural roads. This makes Local Roads one of the most active agencies within the PNR, as it is in Narino.

To be sure, this is just a small part of what needs to be done to build roads in Putumayo. In the Sibundoy Valley, to cite one example, the community has been clamoring for the San Francisco-Portachuelo-Minchoy Highway for a long time. Local Roads has built 3 km so far, leaving 7 km for completion.

#### **Security Problems Persist**

As a result of the uncontrolled boom in coca, murder is the leading cause of death in the intendency today, followed by intestinal parasites, diarrheic illnesses, respiratory infections, and diseases of the skin.

The Sectional Health Service should provide 80 percent coverage in the intendency, but it barely covers 40 percent of the population, according to data provided by the sectional director.

Spokesmen assert that although the PNR has financed the equipment of health centers, the shortage of personnel and infrastructure is quite severe, given the sparseness of the population.

As a result of the disturbingly high rate of tuberculosis and malaria, a pact was signed with Ecuador to begin a vaccination campaign in the border area this month.

Putumayo, then, appears to be another of the regions in which the PNR has almost everything left to do, but with one advantage: the region's vast resources. The principal challenge is to eradicate the cultivation of coca, which is being practiced by settlers whose situation of exile is the key obstacle.

#### **[Box, p 10A]**

#### **No Results Yet**

The Sibundoy Valley covers an area of 8,000 hectares in Putumayo, and is dotted with settlements of over 5,000 Indians. They also have land problems, according to the governor of the Sibundoy Town Council, Silvestre Sindoy, who has received over 150 applications for land from Indian families.

The local mayor, Luis Gerardo Villota Pena, thinks that the PNR is good for coordinating the efforts of the decentralized bodies. The administration is working these days to put together the Creced so that the PNR can begin to bear fruit. So far, no results have been seen.

Sibundoy, like most municipalities in Putumayo, has no aqueduct, sewerage service, or market place.

So far the needs have gone unmet, but the PNR has begun to "make itself known." In this way, it will be able to restore an image that it was about to lose altogether. So let's wait for the fruit in Putumayo.

08926

**IU Leaders Discuss Barrantes', Diez Canseco's Candidacies**

33480188a Lima CARETAS in Spanish  
13 Jun 88 pp 28-32

[Interviews with IU leaders Enrique Bernales and Carlos Malpica; date and location unspecified]

[Text] According to the bright red-hued groups, what the pinks want is to invalidate the next congress, labeling it antidemocratic so as to immediately launch the candidacy of Alfonso Barrantes Langan, dazzled by his charisma and his first place position in the polls. The Socialists, for their part, pinch themselves when claiming that they don't want to make use of the advantages offered by democracy to gather forces, but rather to participate honestly in the forthcoming electoral processes. As for the candidacies, it is said everywhere that no decisions have been made yet; but they are all too well known: Alfonso Barrantes and Javier Diez Canseco. Their supporters, Enrique Bernales and Carlos Malpica, state their views from their respective standpoints.

The advent of the declaration from Socialist Convergence has been depicting an alternative bloc within IU [United Left] opposed to the more extremist positions represented, in particular, by PUM [Mariateguist Unified Party] and UNIR [Union of the Revolutionary Left], with the Hamlet-like doubts of PCP [Peruvian Communist Party]-Unity.

Of course the differences are not so clearcut in IU. For example, traditionally moderate sectors, such as the leftist Christians (Rolando Ames, Henry Pease, and others) are not in Convergence, because they think that its mentors would be willing to make a break; a measure with which they are by no means in agreement. Moreover, if such a break should occur, it would put them at the summit of the IU that emerges after the first congress.

But there are also reformist wings in PUM and UNIR; although, in the case of the "foxes," there is every indication that they will inevitably lose the imminent PUM congress. In UNIR-Red Fatherland, the situation appears different, and it is claimed that a fairly large portion of its leadership is willing to talk with the Barrantists, if the deputyships, senate seats, and other positions that the Barrantes candidacy will unquestionably procure can be negotiated.

The situation at present is one of opportunity and intense effort to find out which of the two sectors will take the first step in the predictable break. While time goes on, and the registration and membership card drive take place in peace, with a view toward the first congress, the Barrantists will lose ground unless they manage to recruit in Convergence sufficient members to put their

forces on a par with the disciplined members of the parties. The latter will also appoint 25 percent of the delegates. As part of that percentage, the independents should be named by Pease.

The fact is that, under these circumstances, the PUM congress is critical. If there is a break, it would be easy for the IU moderates to isolate the obstinate Diez Canseco supporters and remove them from IU. UNIR would join in, because in this way the pie to be distributed would be larger. Otherwise, PUM would be in a position to make a strong alliance with PCP-Unity for control of IU's first congress and other things as well, the presidential candidacy, for example.

The one who must be suffering most is Jorge del Prado; because, although he has come out publicly in favor of the most orthodox Marxist-Leninist planks, in the style of PUM, at this stage in his life it would please him very little to support the candidacy of a Miraflores communist far removed from his area of concern.

**Enrique Bernales: 'I Myself Could Be the Candidate'**

[Question] The birth of Socialist Convergence has just been made public. How far will it go? There are some others in IU who claim that it is the springboard for the Barrantes candidacy.

[Answer] No, that is mere speculation. How far will it go? Its name is an indication. It is heading toward socialism, but it also realizes that socialism is the only way to arrive at democracy. We are not considering elections now. They will come in 1990, and by then the candidacies will have gone through the process. There are some leaders who stand out more than others as possible candidates of the left. But just when there is such a great possibility of becoming a government in 1990, we must begin to concern ourselves with some substantive matters that will lend it a profile, that will ensure the identification of the left as a government.

[Question] The creation of Socialist Convergence has led to the polarization of IU, as PUM caused previously, including some extremist groups. There is no doubt that not even a group such as PUM would accept the Barrantes candidacy, nor would you, as Socialist Convergence, accept that of Javier Diez Canseco.

[Answer] In the first place, I believe that it was a good thing for PUM to emerge as the consolidation of several small parties with a Marxist-Leninist identity; which has enabled it to become a solid party that has developed a highly significant presence in certain parts of the country. I am neither an adversary nor an enemy of PUM; and I admit that there are a great many valuable people among its members for any leftist plan and for the government responsibilities that are approaching us. There are obviously differences in the notion of strategy. For that very reason, I am one of those proposing that this be debated, and that we try to seek the necessary

consensus to guarantee unity in the plan; because the strategies are not voted on, and no front can afford to try to be a government with different and even conflicting strategies. In this connection, I would like to point out that what is important is not who the candidate will be, nor whom we shall oppose. The important thing is the process of enlightenment and a search for consensus on the strategy.

[Question] Once the strategy has been decided, if, at a second congress, IU should decide on the candidacy of Javier Diez Canseco, with a program approved at this first congress, would Socialist Convergence follow that candidacy as a part of IU?

[Answer] If I have claimed that what is essential is that we acknowledge having the same strategy and pledge ourselves to it, this means that the fundamental step has been taken to ensure the exercise of a responsible authority when we arrive in the government; an exercise that will mean selecting the leaders, the most outstanding men and women to fulfill the democratic objectives of a government directed toward socialism, as the leftist one would be. In this context, it is obvious that we shall have to consider the most representative candidate, who could be Alfonso Barrantes, and who could be Javier Diez Canseco. Why not? Or I myself could be the one. Of course, there is a question of principle involved for us: Achieving consensus on the strategy when we want to attain the government through the electoral route means accepting what that electoral route implies, and hence committing ourselves to the mechanisms of the democratic struggle. We would not negotiate on this.

[Question] In your presentation document, you come out fighting with PUM about the matter of not using democracy tactically to gain forces.

[Answer] I don't think that we are fighting with anyone in IU. There are certainly PUM's founding documents that would suggest some orientation in this direction, against which we are making statements; but it is also true that PUM is planning a congress at which its program line, its concept of strategy, will be debated once again. And I think that, precisely because people very closely associated with dialectics are involved, they are, in fact, according to my information, studying and revising many of their previous proposals.

[Question] Nevertheless, PUM and UNIR members are accusing you of being divisionists.

[Answer] It's very easy to resort to the expedient of expressing judgments, anathemas, and pontifical views; but, ultimately, it is not those engaging in such practices who gain the most consensus and the most acceptance by the people. Just think, Alfonso Barrantes is a man who has never used such adjectives; he has never offended anyone. And yet, here you are doing so, with consensus, with support, with affection from people that your

detractors would like to have. I don't consider it necessary to simplify; I consider it an insult to claim that people are ignorant, that they don't realize things, that they don't think for themselves.

[Question] Let's move a little toward the future, to 1990, let's say. Is there a possibility of a PAP [Aprista Party of Peru]-Socialist Convergence agreement?

[Answer] I don't see how.

[Question] Consider this: I give you hypothetical results of a first electoral ballot, and ask you what would happen in the runoff election. In the event that the Front and PAP should win on the first ballot, for whom would you vote?

[Answer] All right, but that's an invitation to letting the imagination run wild. There is no evidence to warrant the assumption that this would be the result.

[Question] In any case, you should tell me, out of courtesy, because in the next question I intend to ask: If Barrantes and the Front should win on the first ballot, for whom do you think PAP would vote?

[Answer] Accepting the request for courtesy that you have made of me, I think that, in such a situation, it is most likely that IU would leave its members at liberty to vote as they wished.

[Question] What about you, for whom would you vote?

[Answer] In that case, I would have to cast the first blank vote in my electoral life.

[Question] And in the second instance?

[Answer] I suppose that APRA [American Popular Revolutionary Alliance] would divide its vote. I am absolutely certain that sectors of the people who have followed PAP for a long time, if put in this situation, would vote for IU; and conservative sectors that also exist in APRA would vote for the right, as they have done on other occasions.

#### **Carlos Malpica: 'Barrantes Has Only 6 Percent Capital'**

[Question] What is your opinion of Socialist Convergence?

[Answer] So far, it has been nothing but a group of General Velasco's former collaborators, with the exception of Murrugarra. Their quite obviously Social Democratic proposals are well known. IU is a front comprised of Marxist-Leninists, Marxist-nationalists, leftist Christians, and also Social Democrats; so, if they remained only holding that position, there would be nothing to alarm us. What I fear is that there may be a second step to break IU, by creating illusions that they have of the

charismatic candidate; and that, based on that, they would establish a big Social Democratic Party. The Trotskyites believed the same thing in 1980, with Hugo Blanco.

[Question] In any event, Socialist Convergence has not introduced a candidate; what it has made is an ideological demarcation. For example, in an obvious reference to PUM, it claims that they are not in IU for the purpose of gaining forces, making tactical use of the freedoms of the democratic system.

[Answer] The problem is that PUM has not changed its position since IU's creation; it has a group of program statements on strategy and tactics that have not changed since 1980. They are the ones who are changing, not the other IU groups, particularly those claiming to be Marxist-Leninists.

[Question] But they are still members of IU, they are the non-Marxist Socialists; and this agglutination is somewhat the same as what PUM did 3 years ago, with the radical Marxists, when it unified UDP [Popular Democratic Union], some of the MIR [Movement of the Revolutionary Left] members, and some from PCR [Revolutionary Communist Party].

[Answer] Yes, when it is viewed from that standpoint, there is no objection. If they want to consolidate a Social Democratic wing in IU, that seems very good to me, provided they remain in IU. What I fear is that this is a step toward proposing a break; because the first step was to claim that they would not attend the congress, labeling it anti-democratic, when they, admirers of Dr Barrantes, did nothing to democratize IU during the 7 years that Barrantes was president. Previously, the parties elected their delegates, and Dr Barrantes elected the independents autocratically. And so long as that situation suited him, he did nothing to democratize IU nor did Dr Murrugarra, nor any of the current ultra-democratic Barrantists.

[Question] Does PUM consider 1990 as a time for a democratic opportunity to come to power, or does it think that gaining forces is the most important thing?

[Answer] No, we don't believe it possible for IU to reach the government in 1990. What we don't want is to arrive to manage the crisis, to make a deal with AP [Popular Action] and PPC, or with APRA, and to fail to make the changes that the country requires. We want to arrive in the government and come to power, and at least lay the groundwork for a Socialist Peru, which we have preached so many times in 30 or 40 years of political existence. That is the fundamental difference.

[Question] Although Socialist Convergence has not taken the third step, speaking of the steps that you have mentioned, would the third be the introduction of your candidate?

[Answer] The third would be not to attend the IU congress, to discredit it, claiming that it is anti-democratic; although they have never practiced democracy. As for the candidate, at this congress no candidacies will be discussed. The congress has been called to discuss documents on strategy, tactics, and organic programs of the institution. When the congress was called, no thought was ever given to the candidacy; because there is not enough time, either.

[Question] Would that occur at a second IU congress?

[Answer] That's true. Now, the purpose is to strengthen IU and lay the groundwork for it to become a revolutionary front of masses; as most of those of us who are members of that front term it.

[Question] With regard to the elections in PUM, Senator Diez Canseco has said that he will not be a candidate for reelection. Which persons stand out as potential candidates?

[Answer] It's true, Diez Canseco has sent a document clearly stating that he will not be a candidate for reelection. So, the possibilities would be among Pedraglio, Letts, Agustin Haya de la Torre, and the physician, Oscar Ugarte; although a candidate may suddenly emerge from the labor or peasant sector. I don't know.

[Question] Not Carlos Malpica?

[Answer] No, it's not one of my ambitions to become secretary general.

[Question] Are you saving yourself for the second congress?

[Answer] No, at present I have no interest in being a board member, I am...

[Question] I put it to you: at the second congress at which the slate will be selected...

[Answer] No, as I have told you, I am looking at tactics just now.

[Question] Speaking of the candidate's charisma, what other candidate does IU have, apart from the one already known?

[Answer] Charisma is one of the many tales that have been publicized. Barrantes has participated in four elections, and has lost three; and the last time running against a third or fourth rate Apra leader, who has no charisma whatsoever, but rather a reputation for being a fool. Dr Bedoya also lost to this same candidate; but that removed him from all activity or ambitions for becoming a presidential candidate. Those are the real facts. I don't know where they got this notion that Alfonso Barrantes is charismatic; he never has been.



[Question] Do you disregard the polls which tiresomely continue to put Barrantes in first place?

[Answer] Barrantes or not Barrantes isn't the problem. If someone were asked to choose from among three candidates, that of IU, one of the Front, which would name Vargas Llosa or the architect, Belaunde, and a third from APR, the trend is favorable to IU, and the United Left members would merely say that they would vote for Barrantes because they have named him. This means that what is important is the trend represented by IU; and in this regard I shall cite an interesting case: The Peruvian who received the most votes in the entire history of this century was Jose Luis Bustamante y Rivero, in 1945, over 70 percent. Nevertheless, Bustamante y Rivero was neither telegenic, nor handsome, nor was he a great speaker. He won that vote because he represented a trend that sought changes and democracy, and there was also a very well organized party that had a decisive influence. I am among those who believe in organizations more than in charismatic leaders. There is another problem that I think will weigh heavily in this next election; namely, that we have come from the defeat of two charismatic persons, architect Belaunde, an excellent candidate but a flawed president, and Alan Garcia, an excellent candidate and a more than flawed president, who led the country to chaos.

[Question] But there is one detail: In these polls, IU has achieved a percentage, and Barrantes, as an IU candidate, has achieved a higher percentage. Doesn't this mean that candidate Barrantes stands above the group that he would possibly represent?

[Answer] But what would happen if the 30 percent were taken away from that Barrantes, who has 36 percent? He would be left with his 6 percent, which is what he has as capital; that is the reality. It is exactly the same problem that occurred with Blanco, the charismatic candidate who, with two appearances on TV, received 15 percent of the vote, and had an impact on 1978 and 1980. They thought that this 15 percent came from Trotskyites. In the end, they battled with the entire left, and Blanco's capital was reduced to 4 percent. He continued making mistakes, and in the last election he didn't even win 1 percent.

2909

### **Corruption of Northern-Border Officials Uncovered**

**Bribery for Contraband Described**  
33480189a Lima EL COMERCIO in Spanish  
19 Jun 88 Sec A p 14

[Text] Transporting contraband goods has become a simple business for those passing through border customs control at Cancas, in Tumbes, where the common denominator of this traffic may be summarized in a single word: bribery.

In this way, virtually any vehicle passenger or driver need only pay a "quota" to the customs agents if he wishes to take basic or subsidized products to Ecuador, or to bring contraband items from Huaquillas.

These irregularities were witnessed by staff writers from EL COMERCIO who, after a careful monitoring for several months, entailing visits to the area on four occasions, were able to attest to the maneuvers involving corruption, contraband, and collections in the millions, which are being practiced with impunity by most of the customs agents at the aforementioned checkpoint.

During the course of this investigation per se, because of having discovered the internal workings of this Mafia, two of our special correspondents were attacked, beaten, and held by some customs agents. On that occasion, the latter destroyed a camera, seizing rolls of film depicting the "collection" of bribes from a group of passengers.

For several weeks, our staff writers remained among the stands and restaurants around the border post, so as not to be discovered.

The network of corruption reportedly begins in the inter-provincial transport agencies, and among hotel concierges, bus drivers and fare collectors, some of whom are the bad customs agents' main allies.

For example, collectors who are involved are in charge of notifying them of the number and contents of the packages that they are transporting. They also warn them about individuals traveling on the vehicle, especially if they are reporters or authorities, so that the agents will be careful.

Observing the passage of an inter-provincial bus through the Cancas control post is something scandalous. Many passengers are treated with threats, presumptuousness, and insults, in order to intimidate them and thereby easily obtain the bribes that they demand.

If they detect any government official, he receives special treatment, and goes through without the usual search.

According to the testimony of passengers, residents, and owners of the stands located near that control post, as well as the "mules" themselves (the name given to the customs agents' aides, who remove the packages from the buses, taking them into the customs agents' office), bribery has been institutionalized for several years at that border control post.

It is an organization with links in other bordering countries, in which there is a network of smugglers carrying food to the neighboring nations and bringing into the country foreign goods of all types which are inundating the markets.

The drivers and collectors involved "are persons in the confidence" of the Cancas customs control post, and as such, receive their share.

According to informants familiar with this situation, some bad customs agents would collect from 5,000 to 10,000 intis per vehicle; but on weekends and holidays, the bribes are doubled.

Each customs agent belonging to the organization could easily "collect" from 20,000 to 25,000 intis per shift although not all of this money would be for them alone; according to the information received, two persons travel at certain intervals, claiming to be carrying bags of money for "godfathers" and protectors that they have on higher levels.

#### **Joint Operation Described**

33480189a Lima EL COMERCIO in Spanish  
19 Jun 88 Sec A p 14

[Text] A coordinated action by authorities from the Public Ministry, the Treasury Police, and the Ministry of Economy and Finance, in which a team of reporters from EL COMERCIO participated, made it possible to deal a severe blow to the corruption and immorality at the Cancas customs control post.

The planning was precipitous; plans and coordination were interconnected, all in the most absolute secrecy. As we were told, any "leak would mean failure for the intervention." They claim that the bad customs agents are not acting alone. Insofar as we know, there is an entire network of participants.

An anonymous letter received by the Tumbes provincial prosecutor, Freddy David Mori Principe, was the clue to the mystery. The letter was accompanied by a set of photocopied marked bills which, as the sender stated, were to be used between Friday night and early Saturday morning to accede to the demands for a bribe at the Cancas customs.

The prosecutor requested backup from the Lima Treasury Police. That was unquestionably the most advisable thing to do, given the situation existing in Tumbes. Furthermore, the constant success and efficiency of the Treasury Police members was a guarantee that the intervention would be effective.

The response from the Treasury Police was not long in arriving. PIP [Peruvian Investigative Police] Gen Rogelio Lopez Bolivar, general director of that entity, consented to the request from the Tumbes prosecutor and, it was claimed, appointed Col Lorenzo Gomez Sandoval to prepare the plan.

Within a few days, a team of specialists under orders from a commander went to Tumbes. Once they were in the area, they traveled several times between Tumbes and Piura, to go through the Cancas customs control post.

#### **Passengers Complaining**

The prosecutor, members of the Treasury Police, and a regional inspector from the Ministry of Economy and Finance, Luis Romero Olavarria, had to wait about 2 and 1/2 hours before beginning the intervention to eradicate corruption from the Cancas post.

Over 12 buses coming from Tumbes were waiting in line for inspection. The team of staff writers and graphic reporters from EL COMERCIO's Special Reports and Investigation Section was traveling among the passengers on one of those buses.

While the searching of luggage and packages was under way, nearly all the passengers entering the post to claim them came out carrying again everything taken off the buses by the customs agents and "mules" or "numbers," a kind of porter in the service of the customs agents.

Upon leaving the baggage inspection room, the passengers were complaining and cursing the customs agents because of the money that they had charged them for leaving again with their baggage. But all of them came out with the same packages that had been removed from the buses.

At 2335 hours, a reporter from EL COMERCIO, pretending to be the owner of one of the pieces of luggage, entered the small room in which the customs agents inspect goods. There, he caught them collecting a bribe from a citizen.

Upon noticing the entry of the staff writer, a graphic reporter from this newspaper snapped the customs agents' shocked faces.

The presence of the graphic reporter caused great confusion among the customs agents. Several came out after him in a threatening manner, and one pointed a revolver at him.

But the customs agents' behavior did not succeed. A Treasury Police sergeant, engaging in a coordinated action, came out decidedly in the defense of the graphic reporter. This prevented the customs agents from attacking him, or concealing or destroying the graphic documents, as they had done 2 months earlier with other reporters from our newspaper.

### **A Blackout Nearly Foils the Intervention**

At 2345 hours at night, immediately after the appearance of the EL COMERCIO reporters, members of the Treasury Police, with the Tumbes prosecutor and the regional inspector from the Ministry of Economy and Finance, undertook the intervention of the Cancas customs post.

The authorities searched the premises and the personnel, finding marked bills in the room and in the pockets of customs agent Juan Pure, the numbering on which coincided with those shown in the photocopy that the prosecutor had received.

In the midst of a full investigation, but when the authorities had already detected the existence of the marked bills, a blackout occurred in Cancas, which seemed to be jeopardizing the intervention. However, the determined attitude of the authorities enabled them to calmly withstand the long waiting period following the blackout.

The investigation was resumed at nearly 0200 hours in the morning, ending at 0545 hours. At that point, the operation had been completed: the customs agents were found with their hands on the banknotes.

### **Treasury Police Chief Comments**

33480189a Lima EL COMERCIO in Spanish  
21 Jun 88 Sec E p 10

[Text] Yesterday, the general director of Treasury Police, PIP Gen Rogelio Lopez Bolivar, declared that the action initiated last Saturday at the Cancas (Tumbes) customs control post, which made it possible to catch several customs agents collecting bribes for allowing the illegal entry and exit of goods, will be extended to all of the country's borders.

Expressing concern over the increasing movement abroad of products subsidized by Peru, General Lopez Bolivar requested the aid of the population, through reports "which may be anonymous, to eradicate the contraband and the corruption of public servants whose mission it is to combat this unlawful activity.

"Our intervention in Cancas was organized as a result of the constant reports published in connection with contraband in the north," claimed Lopez Bolivar, after noting that this action is a contribution to the plan devised by the government for moralization, which the population desires so much.

He stressed: "In Cancas, unfortunately, we discovered that some public servants are not acting properly, based on what should be the conduct observed in public office; in other words, an honest job in the service of the society and the state."

### **There Are No Conditions of Moral Quality**

General Lopez Bolivar emphasized that, by detecting cases such as that at Cancas, "we have contributed to the moralization of public administration, because public office requires solid ethics and proper behavior."

He expressed the view that, "the aspects relating to pay or the earning of a salary are, in fact, dissociated from the moral quality that a public servant should maintain."

He said that the reason for existence of any public employee or servant is service to the society, and that service to society "whether well paid or poorly paid, must necessarily be for the benefit of society."

### **Contraband and Dissatisfaction**

As for the smuggling of articles of prime necessity to neighboring countries, particularly of products receiving a subsidy in Peru, he claimed that one of the causes of that illegal trade might be connected with the lack of information on the population's part.

General Lopez Bolivar explained: "In fact, our citizens don't know that, when a subsidized product is taken out, they are involuntarily aiding foreign countries, because with that product we are subsidizing the other countries and reducing our own supplies."

The Treasury Police director noted that each country has an obligation to meet its own requirements, without resorting to a subsidy from a country such as ours, which is not enjoying the best economic situation in its history but, rather, is trying to surmount a series of difficulties.

Lopez Bolivar maintained that the state is concerned with meeting the needs of our people, but that smuggling abroad fosters a shortage of supplies which ultimately causes a certain amount of economic imbalance in the country, and dissatisfaction among the population itself.

### **Conduct of Public Servants**

One of the duties of the Treasury Police to prevent an increase in contraband is associated with the conduct of public servants.

"It is particularly important that we try to correct all the flaws that we have in public administration," remarked General Lopez Bolivar; adding that the Treasury Police keep watch to prevent the commission of crimes against the duties of public office.

He commented: "It is a priority for us to try to detect all the cases of corruption among public servants, whether in the form of bribery or in the form of complacency, allowing the passage of products both for export and import."

Regarding the recent intervention carried out at the Cancas customs control post, Lopez Bolivar said: "We have personnel in Tumbes to complete all the administrative and judicial procedures, so as to put the customs guards caught committing a crime against the duties of public office at the disposal of the judicial authorities."

In conclusion, the Treasury Police director reiterated his request for the citizens' cooperation, through reports, which may be direct or anonymous.

He ended by saying: "Only with the help of all Peruvians can we perform a far more effective job, because police work is also largely dependent on the information given to us by the population."

2909

**Closing of Southern Border Creates Tension**  
33480189b Lima EL NACIONAL in Spanish  
26 Jun 88 p 6

[Text] Tacna—While this town's commercial activities are virtually at a standstill because of the closing of the border with the neighboring town of Arica, and thousands of men and women have been left "stranded" in this town, Mayor Victor Raul Urbiola Hani has met with the members of the border autonomous authority to seek a solution to the problem that has arisen.

The offices in which the passes for visiting Arica were being issued are still closed. The Tacna residents prevented from traveling claimed: "We are not engaged in smuggling food or medicines; we only make trips to purchase some item of interest to us. The trucks or boats are doing the smuggling." At the Santa Rosa control post there is also evidence of a drastic decline in customs activities. Work is being done only with Chileans coming from Arica and arriving in Tacna. Today, the departure of the Aricans who been left in Tacna the previous day, when the coordination with the Chilean consulate in this town failed, was resolved. It was also learned that Peruvians had problems in boarding the mass transport vehicles covering the route between Arica and Tacna; because the Peruvian buses could not provide their service when the announced border closure went into effect.

Urbiola Hani declared that the situation regarding tourist travel to Arica could be made flexible depending on the decision that is made. The top-ranking political official noted: "What will by no means be allowed is the egress of food, medicines, or other items vital to economic activity in Tacna." Despite the mayor's promises, bewilderment and uneasiness were obvious in this town, where the hotels are half empty, the travel agencies lacking in any activity, and hundreds are trying to return to the capital as soon as possible. Those familiar with the real situation in the south pointed out: "A collapse will

occur here. Arica and Tacna are united not only by common needs, but also the fact that the survival of one depends on that of the other."

**In Puno Also**

Another report from our Puno correspondent states that the situation on the Bolivian border, primarily in Desaguadero, known as "the bridge for contraband," has become tragic for hundreds of carriers intending to take food to Bolivia.

Green vegetables, milk, detergents, and other products are piling up in the locality, and the dealers, in view of the impossibility of continuing to travel south, have started selling off their merchandise and making a rapid return to Puno and Juliaca.

The observers commented: "Millions of intis will be lost here; the decision to close the border with Bolivia caught many merchants by surprise, and they have found it impossible to carry out their 'business.'"

According to calculations, it is estimated that there are over 10 million intis worth of goods "stopped" at the border, without any chance of being sold. "Something will have to be done by the authorities, because both the trucks and the owners of the loads are threatening to create disorders."

But the authorities have reiterated that the closure is final, and that there will be no passage. They told reporters: "The smuggling of food, detergents, and medicines has ended here."

2909

**AP Deputy Says Conditions Ripe for Police Strike**  
33480188b Lima EL NACIONAL (CARA Y SELLO  
Supplement) in Spanish 26 Jun 88 pp 16, 17

[Text] If the 20,000 requests for resignation from police personnel submitted because of the dissatisfaction prevailing as a result of their low pay and the lack of infrastructure for doing good patrol work should materialize, both Lima and the rest of the national territory would be left in the hands of criminals and subversives. Moreover, what is even more serious, the threat of a police strike with worse consequences than those occurring in May of last year is hovering over us.

The person responsible for conveying these concerns was Popular Action [AP] Deputy Aureo Zagarra Pinedo, who added that another factor, also extremely critical, is the Law on Bases for Unification of Police Forces, containing an article that jeopardizes the job stability of the guardians of public order, from whom all Peruvians benefit.



Visibly worried by the reports that the city would be left unprotected after another police strike that might take place at any time, the Popular Action deputy attributed this forceful measure to four fundamental factors.

Based on his own investigation, Aureo Zegarra said that the first of these factors related to the pressure and anxiety to which police personnel are subjected, originating in their family environment, in view of their meager financial income.

Zegarra Pinedo reported: "Family requirements and the realization that their comrades are constantly being killed by criminals or subversives have produced this situation, which becomes even worse when one considers that a (subordinate) policeman earns an income ranging between 8,000 and 12,000 intis. Most of them have over 20 years of service."

He also disclosed that the dissatisfaction exists not merely at the level of the subordinate, but also among officers, from commanders downward, in this case including Armed Forces personnel.

Referring to the second factor, the Popular Action congressman noted that it was the lack of bonuses, due to the fact that police work must be their sole employment, with an average of 12 to 14 hours a day, for which they receive no overtime pay as any public employee would.

#### **Drivers and Traveling Salesmen**

Very knowledgeable on this subject, Aureo Zegarra claimed to have observed that, in view of their low salaries, the police officers work as taxi drivers or traveling salesmen during their vacations, and ultimately resort to enlisting in the 66th Civil Guard Headquarters, to work as bank guards.

He maintained: "As a result of this, the police face psychological and biological problems, because they never enjoy any rest, since they are earning more bread for their families who, in many instances, are large."

The AP congressman remarked that another factor was a lack of equipment, especially logistical equipment to prevent potential crimes and specific equipment to combat subversion.

Referring to official statistical tables, he reported that, during 1985, there were 600 patrol cars operating in Lima, and that, at present, only 100 of them are serviceable for patrolling the city; adding that there are not even any integrated communication systems.

The AP deputy claimed: "Added to this is the lack of light weapons and other types of security for the policeman in the event of intervention against subversive elements, while guarding not only public establishments but those used by the population as well."

#### **Police Insufficiency**

He revealed to CARO Y SELLO that there are currently 60,000 forces in the country for a population of 21 million inhabitants and, instead of an increase in the number of policemen, there has been a reduction, for which reason he claimed there was an alarming insufficiency of police.

He added that, in Lima, the policemen are overloaded with work, because, he claimed with statistics at hand, one police officer must safeguard the physical integrity of 8,000 Peruvians, something physically impossible to achieve.

The Popular Action representative disclosed: "Subtracted from this are the civil or uniformed guardsmen who are stationed at headquarters, the administrative personnel, and those engaged in guarding embassies and high government dignitaries; hence, we can infer that one policeman no longer watches over 8,000 citizens, but a larger number of lives."

#### **Government Resentment**

Elsewhere in his remarks, Aureo Zegarra said that the fourth factor is due to the government's approach to the police problem, with resentment and a total disregard for the service performed by the guardians of order; rather than making improvements, with technical studies to plan institutional development, it has opted to assign people in the service of the party.

Zegarra Pinedo observed: "The Apristization of the police forces has evoked resistance from them on the various rank echelons, since, in the view of the police, the government has acted with brutality and unstatesman-like reason. As evidence of this Apristization, he cited the reorganization made in their institution, to which they did not submit, nor do they want to do so."

He subsequently revealed that the police forces demand that the government respect the document signed, which was endorsed by Alan Garcia, giving them fair treatment, without pressuring the jurisdictional power reserved for the military justice system; so that judges could make decisions regarding the last police strike, protecting the lives of those who showed their faces during the course of this forceful measure.

#### **Without Job Stability**

At another juncture, Aureo Zegarra, analyzing the terms of the Law on Bases for Unification of Police Forces, said that he had found a specific provision taking the job stability enjoyed by any Peruvian away from the police. The AP deputy commented: "There is still time to adopt measures to correct this serious mistake, if we want to prevent another police work stoppage that would be very detrimental to the citizens, the state, and the entire country."

In his opinion, and based on the testimony received from a certain number of guardians of order, he claimed that this entire atmosphere has prompted the submission of a massive number of requests for resignation in the various guardian institutions, numbering 20,000, which have not been accepted, not for lack of money to pay them, but out of fear of subsequent criminal and subversive activities.

The Popular Action congressman revealed: "I have the official report that 5,000 of these requests were accepted during the term of Interior Minister Jose Barsallo Burga, including discharges and the deaths of several guards due to the action of subversives, both Sendero Luminoso members, and those from the Tupac Amaru Revolutionary Movement."

#### **Only Their Morale Helps Them**

Very thoughtfully, Aureo Zegarra Pinedo remarked: "Because of the neglect of which they are victims, not only by the government, but also by the citizens, the police are performing, with high morale, their duty to society, a commitment made upon entering their institution, with the slogan "honor is your badge."

Finally, the AP representative urged the government and all the country's police forces to bear in mind this human tragedy when they devise their government programs, because "we are in a decisive year that could change the country's history."

2909

### Renegotiation of Foreign Debt's Repayment Terms Advocated

33480182b Caracas *EL UNIVERSAL* in Spanish  
12 Jun 88 Sec 1 p 16

[Article by Bernardo Fischer]

[Text] The new administration will have to confront the myth of the International Monetary Fund (IMF) if it wants to obtain better terms for paying off the Venezuelan foreign debt and ensure better management of budgetary resources in 1989.

According to official spokesmen, the 1989 budget is being drafted simply by adding together the revenues obtained through ordinary means (petroleum and domestic tax revenues). These resources come to a mere 170 billion bolivars, which falls at least 30 billion bolivars short of the total needed to meet public spending obligations.

This eminently recessive budget is being compiled on the assumption that the new government officials will adopt a series of economic measures that will enable them to expand the volume of fiscal revenues and thus avoid economic stagnation in the coming year.

According to experts with close ties to the administration, the solution to fiscal inflexibility does not lie in the current exchange rate, because its modification would not substantially improve the current state of the balance of payments current account.

Imports would remain at the same volume but at higher prices, which would have an adverse impact on the domestic economy. An adjustment in the exchange rate is not being ruled out, but the size of the adjustment would be smaller than that of December 1986.

The key problem for the national executive will be to improve the terms of payment on the foreign debt, as the current level of outlays represents too onerous a burden for the country.

When the Lusinchí administration took office, the main problem with the foreign debt was the need to reschedule the payments, because too many of the due dates fell within the next 3 years. The price of a barrel of oil at that time (\$24) allowed the administration to draw up a plan to pay off the debt within the medium term without the need to take out new loans or submit to a program of economic adjustments prescribed by the IMF.

By 1989, however, the situation will be completely different. The price of oil is hovering around \$14 or \$15 per barrel, and our foreign currency reserves stand at \$8 billion. The incoming administration will have to renegotiate not only the timeframe of the refinanced foreign debt, but also the terms of interest payments and of some non-refinanced loans. This cannot be done without an agreement with the IMF.

Official representatives say that at the top echelons of government there is the conviction that turning to the IMF could yield some benefits to the country, because it could result in access to loans at very low interest rates and long terms. At present, Venezuela is floating bonds to obtain external funding, but it has to pay interest rates above 11 percent.

The problem evidently lies in the adjustment plan that the IMF will demand in exchange for this fresh money.

In Venezuela's case, the IMF is questioning three fundamental points: the budget deficit, the policy of negative interest rates, and the over-valued exchange rate.

These adjustments would have negative consequences for economic growth, and would exert greater pressure on the unemployment rate.

These measures obviously cannot be implemented in 1988, but it is feasible that by 1989 the problem will be approached in a different way and some adjustments in that direction will be made.

The administration urgently needs to renegotiate the foreign debt on new terms, because next year that item will absorb more than 60 billion bolivars, including interest and principal. Official spokesmen commented that to achieve this objective, it will be necessary to debunk the political myth of the IMF and to begin negotiating an appropriate adjustment plan that will enable the government to change the terms of payment on the foreign debt.

Official projections do not call for a quick recovery in oil prices. On the contrary, internal differences in OPEC would seem to indicate that uncertainty about prices could last for longer than initially expected.

Thus, without the boost from oil prices, the new administration will have to resign itself, as have Mexico, Argentina, and Brazil, to sitting down with the IMF to study an adjustment plan, in keeping with the amount of fresh funding that will come in from that multilateral body.

The prevailing fear that Venezuela will lose sovereignty over its economic policy is relative; Mexico, Brazil, and Argentina have managed to do what they think is best when the real conditions of the economy have required measures other than those recommended by the IMF.

In any event, official experts reject the notion that the new administration will have its hands tied in dealing with economic difficulties in 1989.

They point out that the economic team is working to close out the year with nearly \$8 billion in foreign reserves, and this figure could rise as high as \$10 billion

if the value of gold is updated. This would give the country a breathing spell of 1 year and 3 months to take appropriate measures to eliminate the balance of payments deficit.

And that period could be extended if we take into account the so-called grace period which is the difference between the level of reserves and the existing shortfall in the balance of payments.

Officials do think the incoming government should avoid trying to solve its fiscal problems through internal measures, that is, by stepping up the tax pressure or issuing public indebtedness bonds to be kept in reserve in the Central Bank of Venezuela. In the first case, financial resources would be taken away from the private economy, which would have a dampening effect with no guarantee that this money could be used more efficiently by the state than by the private sector.

If the government resorts to issuing unbacked currency, it would exert additional pressure on prices, which will have to be adjusted next year anyway.

Thus, the decisions of the future administration appear to be oriented toward trying to obtain fresh money from the external sector (improvement of non-traditional exports and new loans) and controlling the outflow of foreign exchange by making a substantial change in the current level of refinancing. These measures do not rule out the possibility that Venezuela will turn, for the first time, to the International Monetary Fund.

08926

#### **Economists on Balance-of-Payment Deficit**

33480181a Caracas NUMERO in Spanish  
19 Jun 88 pp 12, 13

[Article by Alfredo Carquez: "The IMF Reserves Block: A Possible Alternative"]

[Text] Paying off all economic commitments without the means for doing so is something worth seeing. Given the country's situation, perhaps we shall soon be seeing an ad unobtrusively located among the many spaces devoted to winning votes, that says: "Seeking economic sleight-of-hand artist. No experience required. Begin work in 1989."

And since we are in an election year, the important measures, the ones that generally have to affect someone's pockets (usually selected from the majority, the very ones casting the most votes), are frozen in the refrigerator of politics. Hence, both pessimists and optimists, are awaiting the arrival of next year, with a vast store of suspense: some with fear, because they think that the situation will become worse than it is, and others rubbing their hands, because they remember the profits accrued by the fisherman in the rivers of a turbulent economy.

The fiscal deficit which threatens to exceed 38 billion bolivares posted in 1987 (NUMERO, Edition 403), inflation, and a negative balance of payments are some of the problems that the government will have to solve before December, the voting month, arrives. As for the balance of payments, its deficit has been worsened by the effects of a drop in oil prices. Venezuela was expecting to sell its crude at \$16.70 a barrel, as an average. At present, it is being quoted at between \$13 and \$14.

As a result of this, the country could receive an oil income less than estimated, which would be about \$900 million. They normally earn \$1.5 billion from oil.

The balance of payments situation and the shortage of dollars and bolivares prompted a debate on the solutions that must be sought to improve the national economy. Certain sectors have been inclined to cite the need for arranging new refinancing. Others prefer to negotiate new loans for which gold would serve as a guarantee. Some have even revived the specter of the moratorium that has frightened the banks so much.

Venezuela, a founding country of the IMF, has in that agency not only the right to procure loans, but also a block of reserves amounting to \$500 million, deposited in a running account. Gustavo Galdo, former public finances director in the LHC [Luis Herrera Campins] administration, claimed in an interview that, "The banks have said and repeated that Venezuela should use its account in the IMF before requesting money. They are willing to provide fresh funds if Venezuela uses those assets."

With regard to the possibility of using these funds or not, NUMERO conducted a poll to learn the views of some economists. The majority of those polled responded affirmatively concerning the feasibility of taking the aforementioned action. Nevertheless, and there was also virtual consensus on this, the measure to which we refer would not be adopted alone, but would be accompanied by other steps the concurrent aim of which would be an attempt to reactivate the national economy.

#### **Going to the Root of the Problem**

D.F. Maza Zavala, head of the National Academy of Economic Sciences and a member of NUMERO's Board of Economists, favors using the block of reserves, because, "doing so does not mean subjecting ourselves to IMF's terms."

He remarked: "Those reserves are legitimate, and could be used under circumstances wherein the balance of payments suffers a lack of equilibrium, while, at the same time, an autonomous policy is in effect, attempting to correct the factors underlying the imbalance in international payments."



"The \$500 million would represent temporary relief. Therefore, a policy must be established that would go to the root of the problem associated with the foreign debt service and non-traditional exports. We would accomplish nothing by burning the monetary reserves if the causes of the deficit continued to operate."

#### **Let the Banks Contribute**

Oscar Echevarria is also a member of this publication's Board of Economists. He agrees with Maza on the possibility of resorting to the block of reserves.

"Yes, I would resort to it, but this doesn't imply any conditions. In any event, I would adopt several parallel measures with the use of the funds. These would be an attempt to establish loans arranged with the banks, to increase liquidity in order to reactivate the economy, and to promote non-traditional exports (returning to the plan preceding December 1986)." As for the debt, Echeverria explains: "I would propose to the international banks what their contribution to Venezuela should be; because we have paid over 7 billion bolivares between principal and interest. A moral right supports us, because we have paid part of the debt on time."

#### **Making Adjustments**

Jose Miguel Uzategui, chief of the COPEI [Social Christian Party] Professionals and Technicians Faction, would use the funds. However, he warns that the exchange deficit represents over twice the amount that would be requested.

To him, it would make no sense to take an action such as that proposed without making adjustments to prevent the need for touching the blocks of credit. "If the government only uses the funds, no problem will be solved. A revision must be made in the strategies for non-traditional exports; they must be stimulated. Other measures to be adopted would be: to make fiscal types of adjustments, to arrange the partial suspension of payments and announce the need for a contingency, to expand liquidity through the credit expedient, and to avoid inflationary pressures."

#### **A Temporary Problem**

Maxim Ross, a member of NUMERO's Board of Economists, argues that the block of reserves is usable because it does not entail subjection to any conditions. He claims that the balance of payments deficit is a temporary problem, and that its solution might lie in this measure.

"We should achieve a credit program and seriously study the IMF terms. Many of its policies have already been implemented in Venezuela. We must dispel from our minds the negative myth that having recourse to the IMF is bad. The conditions in that agency have changed, as well as the features of its loans."

#### **Using Another's Money**

Ricardo Hausmann, an investigator for IESA [Institute of Higher Education for Administration], and member of the NUMERO Board of Economists, thinks that the funds that we have in the IMF are to be used.

"We are shareholders and simultaneously creditors. If we have participated in that organization, financing it when we had surplus funds, and when the country was in a good situation, now that we are having bad times, it is up to us to use them. The funds that we have there are to be used, although this would mean postponing a problem; because it would mean financing the debt service and losing reserves. What we should do is procure money that is not ours. After having been so generous for so many years, we are entitled to do that."

#### **Scraping the Barrel**

Gustavo Garcia, an IESA economist, takes a cure before the illness takes hold: "I can't say whether it is bad or good in absolute terms; that depends on whether this action is conceived as part of a medium- and long-term financing plan."

He comments: "The measure should not be implemented if there is an intention to fill a vacuum in the balance of payments deficit. We would be left out, like those of us who are scraping the barrel. That amount of money should be used as part of a financial program of larger scope. Otherwise, Venezuela's image would be hurt, because it would give the impression that we are bankrupt. Venezuela's economic problem lies in the policy that has been carried out in connection with the debt payment."

#### **No to Halfway Measures**

Elias Eljuri, dean of the UCV [Central University of Venezuela] School of Economics, responded negatively to the possible use of the aforementioned reserve funds. As he sees it, Venezuela should solve its balance of payments problems through the solution associated with the debt service.

"The short-term refinancing should be revised, and if nothing is achieved in the talks, the payments should be suspended. The debt service has been given precedence over the welfare of Venezuelans. There should be negotiations to procure better terms, lower interest, and longer payments."

According to Eljuri, resorting to the IMF represents a policy of halfway measures. He maintains: "The negotiations involving suspension of payments should be exhausted within a short time. If they fail, we should move to a moratorium, and for this, Venezuela's connection with the other debtor countries, especially those of Latin America, which we have disregarded when they cited the impossibility of paying the debt, is essential."

**CTV President on Labor Ministry, Economic Issues**

33480182a Caracas EL NACIONAL in Spanish  
11 Jul 88 Sec D p 7

[Interview with CTV President Juan Jose Delpino by Wilmer Ferrer]

[Text] Juan Jose Delpino does not regard the Labor Ministry as an office in which the people who are important factors in the country's production can place their trust. Quite the contrary: The president of the Confederation of Venezuelan Workers (CTV) describes the ministry as "handicapped," out of touch with the worker's problems. He bitterly accuses the government of being complacent with the private sector, which it solicitously authorizes to raise prices, noting that when no increases are requested, businessmen simply boost prices anyway.

[Question] What do you mean when you say that the Labor Ministry is handicapped?

With his clear and direct language—sometimes combative language, to put it in different terms—Delpino asserts, on some occasions vehemently and on others calmly, that the CTV is no longer surprised by the terms used by various sectors of the government, and of course the Labor Ministry, to refer to the labor movement's requests.

"We would like to see the Labor Ministry reformed in the next administration so that it will no longer be a collection of bureaucrats who are incapable of providing any specific enforcement to prevent violations of collective bargaining agreements or of labor legislation and regulations. Then that poor Labor Ministry will no longer be a disgrace."

[Question] What are your reasons for calling it the poor ministry?

[Answer] Because it has become too bureaucratized. It does not have the resources to operate, and it appears to be handicapped in comparison with the other ministries, even in the eyes of the presidents themselves, I suppose. One reason for its incapacity is that it has been unable even to implement Forced Unemployment Insurance, which is so desperately needed in our country right now! This is especially true because Venezuela is a country where there is practically no social security, and this shortcoming is even more insidious with the current unemployment rate. And the government and its statistical organizations are not being very forthcoming about revealing this rate.

Delpino admits that the only growth in the last 8 years has been seen in the informal sector, "the refuge of the jobless." He and the experts and advisers of the CTV

believe that unemployment has become a serious problem that is posing a grave threat to the country's economic health. The CTV estimates the "net" jobless rate at between 12.5 and 14 percent. Delpino emphasizes, "If it weren't for the informal sector, the rate would be astronomical."

Delpino has emerged as one of the strongest opponents of the government's economic policies. It could even be said that he constitutes a stronger opposition than the political parties that are lined up against Democratic Action (AD), on whose National Executive Committee he sits. He was a deputy in Congress for 15 years, representing Zulia, and before and after that period he held key positions within the party. He served several terms as general secretary of the party in Maracaibo. He was also a member of the National Constitutional Convention in 1946-47, but he claims that he has always identified with his principles as a trade union fighter. A native of the island of Margarita who just turned 68, he served as secretary general of the Petroleum Workers division of the Inter-American Regional Organization of Workers in Mexico between 1977 and 1982. He was secretary of international relations of the CTV, and when Jose Vargas fell ill he was named interim president of that organization. He was then confirmed in that position by the 9th Congress. He is an executive member of the International Conference of Free Trade Union Organizations (ICFTUO) and of the Administrative Council of the ILO. That council has 14 union leaders from all over the world, including two Latins, he and a Mexican.

Delpino is dressed in a sporty light blue outfit for this interview. With spare gestures and measured (thoughtful?) words, he responds to the 5-percent inflation figure published by the Central Bank for the month of June:

"The government says that inflation was 5 percent last month. How they arrived at that I don't know! The figure corresponds to parameters established by the government, but they really don't work. Prices go up daily here, with or without the consent of the official agencies in charge. From one day to the next the prices of essential goods rise at the whim of retailers. Moreover, no agency is capable of controlling this situation and preventing these arbitrary and illegal price increases. The Consumer Protection Superintendency is absolutely and completely incompetent."

He goes on:

"If we reach the conclusion that such an agency is needed, then we must eliminate this one and form another after we have guaranteed effective action in defense of the consumer, who today has practically been abandoned to his fate."

[Question] Do you see the situation worsening any in the future?

[Answer] I don't see any way for the government to prevent excessive price increases in the coming months. Some increases are authorized and others are not, but the lack of authorization is no impediment for retailers to proceed on their own.

[Question] Does that mean the immediate increase in wages and salaries that the CTV has proposed to the government and to the Venezuelan Federation of Associations and Chambers of Commerce and Industry (FEDECAMARAS)?

[Answer] We believe that any talks we have regarding the wage adjustment will result in our demand being accepted. But if the request is denied without listening to any valid argument, we will come up with other measures: seeking the support of the parliamentarians of all parties to achieve the adjustment through legislation, or forcing them to comply through other means available to us, such as calling for the immediate revision of the economic clauses of current collective bargaining agreements.

[Question] What method do you consider most feasible?

[Answer] Legislation. AD appointed a commission to study the request, and it submitted a report expressing approval and support.

[Question] Would there be positive backing from the Social Christian Party (COPEI) and other opposition parties?

[Answer] I am convinced of that. But we would like to obtain that adjustment by holding talks with the government and the private sector, because in that way we could achieve two specific objectives: to get business to agree not to cancel out that raise by hiking prices the next day, and to guarantee job security for a period of time to be mutually agreed upon.

[Question] As recently as Thursday there was optimism about a favorable response from the government, but today things have changed for you. What happened?

[Answer] We were hoping for a response or a call from the president by Wednesday 6 July, but none came. This could mean that he has not had time to study the document, or, as the labor minister said, he may be trying to find excuses to deny this reasonable request that we in the CTV have made.

Delpino explains that these requests are not impossible to grant. An increase in the minimum wage, the lowest in all of Latin America, was one of them. He cites the following example: "An ordinary Venezuelan worker earns less than a Honduran, and that's saying a lot. This is due to the deterioration of the bolivar and the fact that businessmen, industrialists, and merchants who sell services and consumer goods have taken advantage of this deterioration."

#### **CAP: He'd Better Not Say the Workers Put Him There**

"We have no other way of striking a balance between wages and inflation except by achieving wage compensations. When we ask for them, ministers in the Lusinchi administration cite 1,001 reasons why they can't grant that request. In contrast, when businessmen make requests, they are granted with such outrageous ease that it gives us cause to reflect."

[Question] Why?

[Answer] That means that the powerful sectors of the economy are exerting a decisive influence on the current administration. The president said he was carried into office on our shoulders, but judging by these results, and contemplating a repeat of this phenomenon, we have urged Carlos Andres Perez not to state in his inaugural address for his second presidency that he owes his election to the workers' efforts. In other words, he should avoid saying that he arrived on our shoulders.

The president of the CTV returned to the matter of the worker's economic situation in the future, but we wanted to go into more detail on how the next administration will evolve in this regard.

"We are convinced that in the next few months the country's economic crisis will grow dangerously worse. We should have no illusions about next year, because the country's problems will not be solved in a matter of months, or even within the first 2 years of the new government. It will have to take drastic measures on three fronts:

"First, it must undertake an effective campaign against the cliques, usually made up of foreigners, that are largely responsible for speculation and high prices. Secondly, there is the foreign debt. Some radicals think the government should declare a unilateral moratorium because the debt is unpayable; we think the nation should face up to its obligations, but only to the extent that meeting them will not affect the country's well-being or curb its economic growth. Nor should the money intended for reproductive investment be used instead to service the debt. Thus, the new government should take a serious look at the current payment scheme, to which the current administration points proudly as one of its greatest accomplishments. And thirdly, the Venezuelan economy cannot be placed in the hands of agents of the country's economic oligarchy, as has happened ever since 1958."

#### **Turn to Politics**

Juan Jose Delpino did not restrain himself, but went on from discussing the most serious difficulties in the economy to an analysis of the political arena as the election campaign has taken shape in recent weeks.



Incidentally, of his own accord he came out in defense of Carlos Andres Perez against the despicable campaign, dubbed the "anti-CAP front," that he feels the COPEI opposition is waging.

"It is one of the most grave political errors committed in the last few years. It has no precedent in Venezuelan political history, not because a pact has been proposed, but because of the poor timing, just 5 months away from general elections. Moreover, it could be argued that the framework designed for this pact is so heterogeneous that it could be branded political promiscuity such as has never been seen before.

[Question] Do you see anything specific behind this front in AD? Fear of Perez, perhaps? Clumsy attempts to keep AD from remaining in power indefinitely?

[Answer] That abortive attempt reveals just one thing: that Eduardo Fernandez and COPEI know they have already lost. A presidential candidacy such as Fernandez', to mention another little detail, is incapable of winning or consolidating the enthusiasm of party members. It is much less conceivable that he could galvanize interests as dissimilar as those that exist in the country's entire political spectrum. COPEI faces a fear that is already a fact: its electoral defeat. But this electoral defeat of Eduardo Fernandez on 4 December will bring with it his political demise.

[Question] You seem to be implying the return of COPEI's old standby...

[Answer] There is no doubt that Rafael Caldera will return to the party to put things in order, to save it from the frustration of defeat, and to rebuild it for the future. That is desirable for the good health of the country's democratic system.

Juan Jose Delpino, now the politician and AD leader, but without abandoning his role as a unionist, comments that Eduardo Fernandez won the internal electoral process, but has shown indications that he is not capable of uniting behind him the party leaders whom he opposed and defeated, personified by Dr Rafael Caldera.

[Question] Does this mean that the presence of the master Caldera would be good for the Fernandez campaign, or would fill a need for it?

[Answer] Not only is there a need for it, his presence is indispensable. The absence of Rafael Caldera is kind of like the seal of defeat for COPEI and its candidate. That is the impression given so far within COPEI's electoral spectrum.

[Question] How can you be so optimistic, even triumphant, about Perez' victory? Do you have solid grounds for that?

[Answer] We have statistics from all over the country gathered in surveys commissioned by AD with the understanding that we do not want to be deluded. We want accurate results, because we have nothing to gain—in fact, much to lose—if we base our expectations on false reports. But we also have figures gathered from abroad. In that connection, the secretary general of the ICFTUO, headquartered in Brussels, told me in at our meeting in Geneva that he possessed reports from NATO indicating that Perez would win 58 percent of the vote by election time. We have also received similar reports from the United States.

[Question] Do Fernandez' failings lie in his personality or in his campaign leadership?

[Answer] His campaign. And it can be said that his advisers are to blame for many of the errors that have been committed. One example is the fact that they proposed the front to defeat Perez. That is the biggest burden; there are so many smaller ones that a detailed analysis would be necessary to assess their importance.

[Question] Some sectors in the country remark on the lack of a message or political discourse in the campaign, on the part of all candidates...

[Answer] The campaign has become a scramble for votes for all the candidates. This is very negative, because the discourse of the candidates in general has lacked any profound analysis of social problems or any specific plans for grappling with them. Carlos Andres Perez, not just because of who he is, has put forth the most carefully thought-out and serious proposals regarding the debt, unemployment, inflation, alienation, and dire poverty.

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**Perez, Fernandez Positions on State Enterprises**  
33480181c Caracas NUMERO in Spanish  
19 Jun 88 p 9

[Article: "How To Dismantle State Capitalism"]

[Text] The government programs being devised by the candidates for the presidency of the republic have not yet defined in detail what kind of privatization process there should be in Venezuela.

For the present, the candidates of the Social Christian [COPEI] and Democratic Action [AD] parties, Eduardo Fernandez and Carlos Andres Perez, respectively, have discussed the need to offer the private sector greater participation in the country's economic activity.

Both Fernandez and Perez have confined themselves to formulating very general features for privatization, but neither has clearly come out and declared whether he



conceives of privatization as a way of reducing the role of the state in Venezuela, or whether he thinks that more efficiency and productivity could be achieved with a market economy.

Fernandez talks about dismantling state capitalism, but he not discuss in detail how he would dismantle it. He resorts to the same rhetoric as always, announcing a new model for development that would expand the role of the private sector. He gives the impression that he conceives of the privatization of public enterprises and services as a program that would make goals of efficient operation possible. All this is included within the context of a readjusting the size of the state that the COPEI party has proposed.

Fernandez' economic program does not reject the inclusion, in the privatization, of a type of people's stockholding system, and the creation of self-managed or jointly managed enterprises in an administration shared by the workers and the state, or by the workers and private groups integrated into the social property system.

Perez, for his part, has also spoken, offering greater participation for the private sector, but more in the form of a mixed enterprise than a privatization program per se. He favors the idea of opening the doors wider for native and foreign private capital, so that they may enter, as partners, in the major petrochemical projects and those of the basic enterprises. However, that can no longer be interpreted as a privatization process.

We shall have to wait until August (the date when the government programs will be announced in detail) to determine whether Fernandez or Perez (the candidates with the most chances of victory) offers to implement privatization in the Venezuelan economy and, in particular, which state enterprises would be willing to become privatized during their administration.

2909

**Minerals Viewed as Alternative Source of Revenue**  
*33480181b Caracas NUMERO in Spanish*  
*19 Jun 88 pp 25, 26*

[Article by Antonio Martin G.: "Minerals for Foreign Exchange"]

[Text] The economic problems associated with the foreign debt, balance of payments, oil revenue, lack of liquidity, and shortage of foreign exchange have caused the government's economic strategists to look inside as well as outside: on the one hand, at the need to offset the decline in foreign exchange earned from oil, though only in moderate amounts, leads to the possibility of exporting minerals or products thereof, such as coal, gold, diamonds, aluminum oxide, and others being mined in

the country's different regions, in order to procure dollars; and, on the other, at the internal development of certain minerals for the purpose of substituting for their import or that of products made from them, such as coke or phosphates.

The attainment of these goals will make it possible to contribute to the development of certain regions and to promote both national and foreign private investment in these projects, which could mark the beginning of an era of new mineral exploration and exploitation in the country, with features that will depend on the economic strategy ultimately decided upon by the state, and also on the institutional and legal framework involved therein, because this is not yet very clear.

**Iron**

Venezuela's iron ore reserves amount to 2.075 billion metric tons (MT) which, at the current production rate of about 18 million MT/year, would provide us with iron for approximately 100 years. The production of this ore makes it possible to supply the domestic market, whose leading consumers are SIDOR [Orinoco Iron and Steelworks], with over 80 percent; CVG [Venezuelan Corporation of Guayana]-Fesilven, with 15 percent; and other industrial consumers, including the cement companies, with the remaining 5 percent.

Among the sales for domestic consumption and export, there is a total of approximately 17.5 million metric tons, with 65 percent for the export market and the remaining 35 percent for the domestic market.

In 1987, the iron ore industry accrued income amounting to 2.9288 billion bolivares, and a profit of 798.3 million bolivares, 83.7 percent more than that earned in 1986. It is anticipated that iron ore will maintain its rising share in contributions to the income tax, which in 1987 totaled 311.8 million bolivares, compared with 253.7 million in 1986.

**Coal and Phosphates**

In the southwestern part of the country, there has been a gradual development of two major mineral exploration and exploitation projects: that of the coal in Tachira, handled by Carbosuroeste [Southwest Coal], Inc. and the start of exploitation of the phosphate deposits in the same area, controlled by Fosfasuroeste [Southwest Phosphate] (a private company).

The Tachira coal has been known for many years, but now the significant aspect, besides meeting the regional demand for coal, is the fact that its exploitation is being aimed at starting to develop a necessary coke industry, in order to provide for national consumption, involving SIDOR primarily. Of the 61,800 MT of coal produced in 1987, 60,000 MT were from Carbosuroeste (97 percent), with an average price of 115.9 bolivares/MT.

Among the coal development plans, we should mention the very important one being implemented by Carbozulia [Zulia Coal] (a subsidiary of PDVSA [Venezuelan Petroleum, Inc]), the short-term goal of which is to export over a million MT of coal by 1990; which would represent an approximate income of \$30 million.

As for phosphates, the Ministry of Energy and Mines (MEM) Bureau of Geology has discovered and evaluated sizable deposits in the states of Falcon (Riecito and Morrocoy), and Tachia (La Molina and Navay), and in the Perija mountain region of Zulia. The phosphate reserves in Merida's central region amount to 110.5 million MT, and those in Falcon's Araurima-Morrocoy area total 60 million MT.

Most of these phosphate rock deposits are being, or are about to be exploited by the open cut method; adding to this advantage the fact that most of them are located near consumption sites, such as those using fertilizer and livestock feed, involving industrial processes being carried out both by Pequiven [Petrochemical Company of Venezuela] and MEM in the public sector, and certain firms in the private sector.

In 1985, the country produced 9,000 MT of phosphates and, during that same year, imported 72,500 MET, at a price of 24.9 million bolivares. In 1986, phosphate production was multiplied 18-fold, reaching a volume of 167,000 MT, with 39,600 MT imported that same year at a price of 18.8 million bolivares. This indicates to us that the domestic production of phosphates for mainly agricultural use is supplying the domestic market, with a substantial savings of foreign exchange.

#### Gold and Diamonds

The increase in gold production during 1987, over that in 1986, amounted to 54.8 percent, with a total of 3.86 MT produced, according to MEM's official official figures; although, unofficially, it has been claimed that the production exceeds 15 MT, estimating that the difference is being smuggled abroad from the Guayana mining area itself.

To remedy this situation, they authorized the Central Bank of Venezuela [BCV] to regulate the purchase and sale of gold; which has apparently solved the problem partially, if we consider the amount of gold that BCV has sold recently (over 11 MT).

The diamond situation may be categorized as worse because, according to the experts, the escape is constant and difficult to detect. After having recorded production amounting to 211,700 carats in 1986, in 1987 it declined

by 53 percent, dropping to 98,500 carats. It has been commented that this is due to the lack of interest among producers in selling dollars by way of diamond exports at 14.50 bolivares, as they are being forced to do through the BCV.

#### Bauxite

By the end of 1989, the execution of the facilities and equipment for commercial exploitation of the bauxite in Los Pijiguaos, an essential material for the production of alumina and finished aluminum, is expected to be completed. As early as 1987, Interalumina began receiving bauxite from this area, and it is estimated that 600,000 MT will be marketed to produce aluminum oxide this year, 1988.

Although resorting to mining intensively appears to be a solution, we should also take the future generations into account from the standpoint of protecting the environment deteriorated by irrational exploitation, and consider mineral deposits a reserve that will guarantee those coming after us a better life. In other words, we should ask ourselves whether it is worthwhile exchanging gold for dollars. To be sure, it depends on the use made of those dollars now; because if they are converted into productive investments, the generation of resources for the future will be ensured.

#### Value of the Production of Venezuela's Leading Minerals

in Millions of Bolivares

1987

Iron	1,995.21
Gold	1,395.95
Coal	65.81
Diamonds	6.93
Total	3,463.9

#### Venezuela's Leading Minerals

1987 Production

Iron	18.5 million metric tons
Gold	3.86 tons
Coal	61,810 tons
Diamonds	98,500 carats

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12 Sept, 1988